

As confidentially submitted to the Securities and Exchange Commission on August 30, 2022.  
This registration statement has not been publicly filed with the Securities and Exchange Commission and all information herein remains strictly confidential.

File No. 001-

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10**

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**GENERAL FORM FOR REGISTRATION OF SECURITIES  
Pursuant to Section 12(b) or (g)  
of The Securities Exchange Act of 1934**

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**Vitesse Energy, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of Incorporation  
or Organization)

**9200 E. Mineral Avenue, Suite 200  
Centennial, Colorado**  
(Address of Principal Executive Offices)

**88-3617511**  
(I.R.S. Employer  
Identification No.)

**80112**

(Zip Code)

**Registrant's telephone number, including area code: (720) 361-2500**

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

Title of Each Class to be so Registered  
**Common Stock, par value \$0.01 per share**

Name of Each Exchange on which Each Class is to be Registered  
**The New York Stock Exchange**

**Securities to be registered pursuant to Section 12(g) of the Act: None**

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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**Vitesse Energy, Inc.**  
**Information Required in Registration Statement**  
**Cross-Reference Sheet Between the Information Statement and the Items of Form 10**

Certain information required to be included herein is incorporated by reference to specifically identified portions of the body of the information statement filed herewith as Exhibit 99.1. None of the information contained in the information statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

**Item 1. *Business.***

The information required by this item is contained under the sections of the information statement entitled “Summary,” “Questions and Answers About the Spin-Off,” “Summary of the Spin-Off,” “Risk Factors,” “Cautionary Statement Concerning Forward-Looking Statements,” “The Spin-Off,” “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Where You Can Find More Information” and is incorporated herein by reference.

**Item 1A. *Risk Factors.***

The information required by this item is contained under the sections of the information statement entitled “Summary—Summary Risk Factors,” “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements” and is incorporated herein by reference.

**Item 2. *Financial Information.***

The information required by this item is contained under the sections of the information statement entitled “Capitalization,” “Selected Historical Financial Data,” “Unaudited Pro Forma Condensed Combined Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Our Indebtedness” and is incorporated herein by reference.

**Item 3. *Properties.***

The information required by this item is contained under the sections of the information statement entitled “Business—Our Properties” and “Business—Reserves” and is incorporated herein by reference.

**Item 4. *Security Ownership of Certain Beneficial Owners and Management.***

The information required by this item is contained under the section of the information statement entitled “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by reference.

**Item 5. *Directors and Executive Officers.***

The information required by this item is contained under the section of the information statement entitled “Management” and is incorporated herein by reference.

**Item 6. *Executive Compensation.***

The information required by this item is contained under the sections of the information statement entitled “Management” and “Executive Compensation” and is incorporated herein by reference.

**Item 7. *Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is contained under the sections of the information statement entitled “Risk Factors,” “Management,” “Executive Compensation” and “Certain Relationships and Related Party Transactions” and is incorporated herein by reference.

**Item 8. Legal Proceedings.**

The information required by this item is contained under the section of the information statement entitled “Business—Legal Proceedings” and is incorporated herein by reference.

**Item 9. Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters.**

The information required by this item is contained under the sections of the information statement entitled “Summary,” “Questions and Answers About the Spin-Off,” “Summary of the Spin-Off,” “The Spin-Off,” “Dividend Policy,” and “Description of our Capital Stock” and is incorporated herein by reference.

**Item 10. Recent Sales of Unregistered Securities.**

The information required by this item is contained under the section of the information statement entitled “Description of our Capital Stock—Recent Sales of Unregistered Securities” and is incorporated herein by reference.

**Item 11. Description of Registrant’s Securities to be Registered.**

The information required by this item is contained under the sections of the information statement entitled “The Spin-Off,” “Dividend Policy” and “Description of our Capital Stock” and is incorporated herein by reference.

**Item 12. Indemnification of Directors and Officers.**

The information required by this item is contained under the sections of the information statement entitled “Description of our Capital Stock—Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws” and is incorporated herein by reference.

**Item 13. Financial Statements and Supplementary Data.**

The information required by this item is contained under the sections of the information statement entitled “Selected Historical Financial Data” and “Unaudited Pro Forma Condensed Combined Financial Statements” and the section of the information statement entitled “Index to Financial Statements” and the financial statements referenced therein and is incorporated herein by reference.

**Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 15. Financial Statements and Exhibits.**

**(a) Financial Statements**

The information required by this item is contained under the section of the information statement entitled “Index to Financial Statements” and the financial statements referenced therein and is incorporated herein by reference.

**(b) Exhibits**

The following documents are filed as exhibits hereto:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Form of Separation and Distribution Agreement*
3.1	Form of Amended and Restated Certificate of Incorporation*
3.2	Form of Amended and Restated Bylaws*
10.1	Form of Tax Matters Agreement*
10.2	Amended and Restated Credit Agreement, dated as of April 29, 2022, among Vitesse Energy, LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto
10.3	Form of New Revolving Credit Facility*
10.4	Third Amended and Restated Employment Agreement, dated as of February 18, 2020, among Robert Gerrity, Vitesse Management Company, LLC, Vitesse Energy, LLC and Vitesse Oil, LLC
10.5	Third Amended and Restated Employment Agreement, dated as of February 18, 2020, among Brian Cree, Vitesse Management Company, LLC, Vitesse Energy, LLC and Vitesse Oil, LLC
10.6	Form of Vitesse Energy, Inc. Long-Term Incentive Plan*
10.7	Form of Indemnification Agreement*
21.1	List of Subsidiaries*
99.1	Information Statement, preliminary and subject to completion, dated August 30, 2022
99.2	Report of Cawley, Gillespie & Associates, Inc.

\* To be filed by amendment.

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: [            ], 2022

**Vitesse Energy, Inc.**

By: \_\_\_\_\_

Name:

Title:

F-5

**AMENDED AND RESTATED CREDIT AGREEMENT**

**dated as of April 29, 2022**

**among**

**Vitesse Energy, LLC,  
as Borrower,**

**Wells Fargo Bank, N.A.,  
as Administrative Agent,**

**and**

**The Lenders Party Hereto**

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**Wells Fargo Securities, LLC,  
Joint Lead Arranger and Sole Bookrunner,**

**Fifth Third Bank, National Association  
Joint Lead Arranger, and**

**BOKF, NA,  
Documentation Agent**

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Exhibit B	Form of Borrowing Request
Exhibit C	Form of Interest Election Request
Exhibit D	Form of Compliance Certificate
Exhibit E	Security Instruments as of the Effective Date
Exhibit F	Form of Guarantee and Collateral Agreement
Exhibit G	Form of Assignment and Assumption
Exhibit H-1	Form of U.S. Tax Compliance Certificate (Foreign Lenders; not partnerships)
Exhibit H-2	Form of U.S. Tax Compliance Certificate (Foreign Participants; not partnerships)
Exhibit H-3	Form of U.S. Tax Compliance Certificate (Foreign Participants; partnerships)
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**THIS AMENDED AND RESTATED CREDIT AGREEMENT** dated as of April 29, 2022, is among: Vitesse Energy, LLC, a Delaware limited liability company (the “Borrower”); each of the Lenders from time to time party hereto; and Wells Fargo Bank, N.A. (in its individual capacity, “Wells Fargo”), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the “Administrative Agent”).

## **RECITALS**

A. The Borrower, the Administrative Agent and the other agents and lenders party thereto are parties to that certain Credit Agreement dated as of May 12, 2015, pursuant to which such lenders agreed to provide certain loans to and extensions of credit on behalf of the Borrower, subject to certain terms and conditions (together with all amendments, restatements, amendments and restatements, supplements or other modifications, if any, made thereto prior to the date hereof, the “Existing Credit Agreement”).

B. The parties hereto desire to amend and restate the Existing Credit Agreement in its entirety in the form of this Agreement to (i) renew the agreement by the Lenders to provide certain loans to and extensions of credit on behalf of the Borrower and (ii) amend certain terms of the Existing Credit Agreement in certain respects as provided in this Agreement.

C. The Lenders have agreed to make such loans and extensions of credit subject to the terms and conditions of this Agreement.

D. In consideration of the mutual covenants and agreements herein contained and of the loans, extensions of credit and commitments hereinafter referred to, the parties hereto agree that the Existing Credit Agreement is hereby amended, renewed, extended and restated in its entirety in the form of this Agreement on (and subject to) the terms and conditions set forth herein. The parties hereto further agree as follows:

## **ARTICLE I DEFINITIONS AND ACCOUNTING MATTERS**

Section 1.01 Terms Defined Above. As used in this Agreement, each term defined above has the meaning indicated above.

Section 1.02 Certain Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“Account Control Agreement” means a control agreement, in form and substance reasonably satisfactory to the Administrative Agent, which grants the Administrative Agent “control” as contemplated in the UCC in effect in the applicable jurisdiction over any Deposit Account, Securities Account or Commodity Account maintained by any Credit Party, in each case, among the Administrative Agent, the applicable Credit Party and the applicable financial institution at which such Deposit Account, Securities Account or Commodity Account is maintained

“Accounting Changes” means, with respect to any Person, changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or any successor thereto or any agency with similar functions).

“Additional Lender” has the meaning assigned to such term in Section 2.06(c)(i). “Additional Lender Certificate” has the meaning assigned to such term in Section 2.06(c)(ii)(G).

“Adjusted Term SOFR” means, for purposes of any calculation, the rate per annum equal to (a) Term SOFR for such calculation plus (b) the Term SOFR Adjustment; provided that if Adjusted Term SOFR as so determined shall ever be less than the Floor, then Adjusted Term SOFR shall be deemed to be the Floor.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means, collectively, the Administrative Agent, the Documentation Agent and any syndication or documentation agent appointed hereunder from time to time; and “Agent” shall mean any of them individually.

“Aggregate Elected Commitment Amounts” means, at any time, an amount equal to the sum of the Elected Commitments of the Lenders, as the same may be increased, reduced or terminated pursuant to Section 2.06(c). As of the Effective Date, the Aggregate Elected Commitment Amounts of the Lenders is \$170,000,000.

“Aggregate Maximum Credit Amounts” at any time shall equal the sum of the Maximum Credit Amounts, as the same may be reduced or terminated pursuant to Section 2.06. As of the Effective Date, the Aggregate Maximum Credit Amounts of the Lenders are \$500,000,000.

“Agreement” means this Credit Agreement, as the same may from time to time be amended, modified, supplemented or restated.

“Alternate Base Rate” means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) Adjusted Term SOFR for a one-month tenor in effect on such day (or if such day is not a Business Day, the

immediately preceding Business Day) plus 1.00%; provided that, clause (c) of this definition shall not be applicable during any period in which Adjusted Term SOFR is unavailable or unascertainable. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or Adjusted Term SOFR shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or Adjusted Term SOFR, respectively. For the avoidance of doubt, if the Alternate Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including the FCPA.

“Applicable Margin” means, for any day, with respect to any ABR Loan or SOFR Loan, or with respect to the Commitment Fee Rate, as the case may be, the rate per annum set forth in the Utilization Grid below based upon the Utilization Percentage then in effect:

Utilization Percentage	<i>Utilization Grid</i>				
	≤ 25%	> 25% but ≤ 50%	> 50% but ≤ 75%	> 75% but ≤ 90%	> 90%
SOFR Loans	2.750%	3.000%	3.250%	3.500%	3.750%
ABR Loans	1.750%	2.000%	2.250%	2.500%	2.750%
Commitment Fee Rate	0.500%	0.500%	0.500%	0.500%	0.500%

Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change; provided that if at any time the Borrower fails to deliver a Reserve Report pursuant to Section 8.12(a), then the “Applicable Margin” means the rate per annum set forth on the grid when the Utilization Percentage is at its highest level until such Reserve Report is delivered.

“Applicable Percentage” means, with respect to any Lender, the percentage of the Aggregate Maximum Credit Amounts represented by such Lender’s Maximum Credit Amount as such percentage is set forth on Annex I.

“Approved Counterparty” means (a) any Lender or any Affiliate of a Lender and (b) any other Person whose issuer rating or long term senior unsecured debt rating at the time of entering into the applicable Swap Agreement is A-/A3 by S&P or Moody’s (or their equivalent) or higher (or whose obligations under the applicable Swap Agreement are guaranteed by an Affiliate of such Person meeting such rating standards).

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Approved Petroleum Engineers” means (a) Cawley, Gillespie & Associates, Inc., (b) Netherland, Sewell & Associates, Inc., (c) Ryder Scott Company Petroleum Consultants, L.P. and (d) any other independent petroleum engineers reasonably acceptable to the Administrative Agent.

“Arranger” means, collectively, Wells Fargo Securities, LLC, in its capacities as joint lead arranger and sole bookrunner hereunder, and Fifth Third Bank, National Association, in its capacity as a joint lead arranger.

“ASC” means the Financial Accounting Standards Board Accounting Standards Codification, as in effect from time to time.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 12.04(b)), and accepted by the Administrative Agent, in the form of Exhibit G or any other form approved by the Administrative Agent.

“Availability Period” means the period from and including the Effective Date to but excluding the Termination Date.

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (a) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement or (b) otherwise, any payment period for interest calculated with reference to such Benchmark (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 3.03(c)(iv).

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Bank Products” means any of the following bank services: (a) commercial credit cards, (b) stored value cards, and (c) treasury management services (including controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

“Bank Products Provider” means any Lender or Affiliate of a Lender that provides Bank Products to the Borrower or any Subsidiary.

“Base Rate Term SOFR Determination Day” has the meaning assigned thereto in the definition of “Term SOFR”.

“Benchmark” means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 3.03(c)(i).

“Benchmark Replacement” means, with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for dollar-denominated syndicated credit facilities and (b) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined would be less than the Floor, such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for dollar-denominated syndicated credit facilities.

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or



(b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by or on behalf of the administrator of such Benchmark (or such component thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative or non-compliant with or non-aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks; provided that such non-representativeness, non-compliance or non-alignment will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Start Date” means, in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.03(c)(i) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.03(c).

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“BHC Act Affiliate” means, as to any Person, an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such Person.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America or any successor Governmental Authority.

“Borrowing” means Loans of the same Type, made, converted or continued on the same date and, in the case of SOFR Loans, as to which a single Interest Period is in effect.

“Borrowing Base” means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 8.13(c).

“Borrowing Base Deficiency” occurs if at any time the total Revolving Credit Exposures exceeds the Borrowing Base then in effect.

“Borrowing Base Value” means, with respect to any Oil and Gas Property of a Credit Party or any Swap Agreement in respect of commodities, the value the Administrative Agent attributed to such asset in connection with the most recent determination of the Borrowing Base as confirmed by Required Lenders.

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“Borrowing Request” means a request by the Borrower for a Borrowing in accordance with Section 2.03.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Denver, Colorado are authorized or required by law to remain closed.

“Capital Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder.

“Casualty Event” means any loss, casualty or other insured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Property of the Borrower or any of its Subsidiaries.

“Change in Control” means (a) the Permitted Investors cease to own, directly or indirectly, free and clear of all Liens or other encumbrances, at least 51% of the outstanding voting interests of the Borrower on a fully-diluted basis or (b) the acquisition of direct or indirect Control of the Borrower by any Person or group other than the Permitted Investors.

“Change in Law” means (i) the adoption of any law, rule or regulation after the date of this Agreement, (ii) any change in any law, rule or regulation or in the interpretation, implementation or application thereof by any Governmental Authority after the date of this Agreement or (iii) compliance by any Lender or the Issuing Bank (or, for purposes of Section 5.01(b), by any lending office of such Lender or by such Lender’s or the Issuing Bank’s holding company, if any) with any request, rule, guideline, requirement or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; *provided*, however, for the purposes of this Agreement, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives in connection therewith or promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision or the United States or foreign regulatory authorities, in each case, pursuant to Basel III, are deemed to have gone into effect and to have been adopted after the date of this Agreement.

“Cloudbreak” means Cloudbreak Energy, LLC, a Delaware limited liability company.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (i) modified from time to time pursuant to Section 2.06 and (ii) modified from time to time pursuant to assignments by or to such Lender pursuant to Section 12.04(b). The amount representing each Lender’s Commitment shall at any time be the least of (a) such Lender’s Maximum Credit Amount, (b) such Lender’s Applicable Percentage of the then effective Borrowing Base and (c) such Lender’s Elected Commitment.

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“Commitment Fee Rate” has the meaning set forth in the definition of “Applicable Margin”.

“Commodity Account” shall have the meaning set forth in Article 9 of the UCC. “Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute, and any regulations promulgated thereunder.

“Conforming Changes” means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Alternate Base Rate,” the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 5.02 and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“Consolidated Net Income” means with respect to the Borrower and the Consolidated Subsidiaries, for any period, the aggregate of the net income (or loss) of the Borrower and the Consolidated Subsidiaries after allowances for taxes for such period determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from such net income (to the extent otherwise included therein) the following: (i) the net income of any Person in which the Borrower or any Consolidated Subsidiary has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Borrower and the Consolidated Subsidiaries in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to the Borrower or to a Consolidated Subsidiary, as the case may be; (ii) the net income (but not loss) during such period of any Consolidated Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Consolidated Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with GAAP; (iii) the net income (or loss) of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such transaction; (iv) any extraordinary gains or losses during such period and (v) any gains or losses attributable to writeups or writedowns of assets.

“Consolidated Subsidiaries” means each Subsidiary of the Borrower (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of the Borrower in accordance with GAAP.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Covered Entity” means any of the following: (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Covered Party” has the meaning set forth in Section 12.18.

“Credit Parties” means, collectively, the Borrower and each Guarantor, and “Credit Party” means any one of the foregoing.

“Debt” means, for any Person, the sum of the following (without duplication): (a) all obligations of such Person for borrowed money or evidenced by bonds, bankers’ acceptances, debentures, notes or other similar instruments; (b) all obligations of such Person (whether contingent or otherwise) in respect of letters of credit, surety or other bonds and similar instruments; (c) all accounts payable and all accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property or services; (d) all obligations under Capital Leases; (e) all obligations under Synthetic Leases; (f) all Debt (as defined in the other clauses of this definition) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) a Lien on any Property of such Person, whether or not such Debt is assumed by such Person; (g) all Debt (as defined in the other clauses of this definition) of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the Debt (howsoever such assurance shall be made) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others and, to the extent entered into as a means of providing credit support for the obligations of others and not primarily to enable such Person to acquire any such Property, all obligations or undertakings of such Person to purchase the Debt or Property of others; (i) obligations to deliver commodities, goods or services, including Hydrocarbons, in consideration of one or more advance payments, other than gas balancing arrangements in the ordinary course of business; (j) obligations to pay for goods or services even if such goods or services are not actually received or utilized by such Person; (k) any Debt of a partnership for which such Person is liable either by agreement, by operation of law or by a Governmental Requirement but only to the extent of such liability; (l) Disqualified Capital Stock; and (m) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment. The Debt of any Person shall include all obligations of such Person of the character described above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is not included as a liability of such Person under GAAP.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Defaulting Lender” means, subject to Section 2.09(b), any Lender that (a) has failed to (i) fund its pro rata share of any Loans or participation in Letters of Credit required to be funded by it hereunder within two (2) Business Days of the date required to be funded by it hereunder or (ii) pay to the Administrative Agent, the Issuing Bank or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the Issuing Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect, (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has (or whose bank holding company has) been placed into receivership, conservatorship, bankruptcy or become the subject of a Bail-In Action; provided that a Lender shall not become a Defaulting Lender solely as a result of the acquisition or maintenance of an ownership interest in such Lender or Person controlling such Lender or the exercise of control over a Lender or Person controlling such Lender by a Governmental Authority or an instrumentality thereof, so long as, in any such case, such actions or facts do not result in or provide such Lender or Person controlling such Lender (including any Governmental Authority) with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination from the Administrative Agent to the Borrower, the Issuing Bank and each other Lender.

“Deposit Account” shall have the meaning set forth in Article 9 of the UCC.

“Disqualified Capital Stock” means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event, matures or is mandatorily redeemable for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock), pursuant to a sinking fund obligation or otherwise, or is convertible or exchangeable for Debt or redeemable for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock) at the option of the holder thereof, in whole or in part, on or prior to the date that is one year after the earlier of (i) the Maturity Date and (ii) the date on which there are no Loans, LC Exposure or other obligations hereunder outstanding and all of the Commitments are terminated.

“Distributable Free Cash Flow Amount” means, as of any date of determination, the result of (a) Free Cash Flow for the most recently ended Rolling Period for which a certificate has been delivered pursuant to Section 8.01(r), minus (b) the aggregate amount of all Restricted Payments made in reliance on Section 9.04(e) and Section 9.04(g) during the three most recently completed Free Cash Flow Usage Periods and the then current Free Cash Flow Usage Period.

“Division” means the division of the assets, liabilities and/or obligations of a Person (the “Dividing Person”) among two or more Persons (whether pursuant to a “plan of division” or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

“Division Successor” means any Person that, upon the consummation of a Division of a Dividing Person, holds all or any portion of the assets, liabilities and/or obligations previously held by such Dividing Person immediately prior to the consummation of such Division. A Dividing Person which retains any of its assets, liabilities and/or obligations after a Division shall be deemed a Division Successor upon the occurrence of such Division.

“Documentation Agent” means, BOKF, NA, in their capacity as documentation agent.

“dollars” or “\$” refers to lawful money of the United States of America.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EBITDAX” means, for any period, the sum of Consolidated Net Income for such period plus (a) the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest, income taxes, depreciation, depletion, amortization, exploration expenses, other similar noncash charges, and losses from asset dispositions (including Liquidations of Swap Agreements, but excluding sales of Hydrocarbons produced in the ordinary course of business), minus (b) (i) all noncash income and (ii) gains from asset dispositions, including Liquidations of Swap Agreements, but excluding sales of Hydrocarbons produced in the ordinary course of business, in each case to the extent added to Consolidated Net Income in such period.

“Effective Date” means the date on which the conditions specified in Section 6.01 are satisfied (or waived in accordance with Section 12.02).

“Elected Commitment” means, as to each Lender, the amount set forth opposite such Lender’s name on Annex I under the caption “Elected Commitment”, as the same may be increased, reduced or terminated from time to time in connection with an optional increase, reduction or termination of the Aggregate Elected Commitment Amounts pursuant to Section 2.06(c).

“Elected Commitment Increase Certificate” has the meaning given to such term in Section 2.06(c)(ii)(F).

“Electronic Record” has the meaning assigned to that term in, and shall be interpreted in accordance with, 15 U.S.C. 7006.

“Electronic Signature” has the meaning assigned to that term in, and shall be interpreted in accordance with, 15 U.S.C. 7006.

“Engineering Reports” has the meaning assigned to such term in Section 2.07(c)(i).

“Environmental Laws” means any and all Governmental Requirements pertaining in any way to health, safety, the environment, the preservation or reclamation of natural resources, or the management, Release or threatened Release of any Hazardous Materials, in effect in any and all jurisdictions in which the Borrower or any Subsidiary is conducting, or at any time has conducted, business, or where any Property of the Borrower or any Subsidiary is located, including, the Oil Pollution Act of 1990 (“OPA”), as amended, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 (“CERCLA”), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 (“RCRA”), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection Governmental Requirements.

“Environmental Permit” means any permit, registration, license, notice, approval, consent, exemption, variance, or other authorization required under or issued pursuant to applicable Environmental Laws.

“Equity-Funded Capital Expenditures” means, capital expenditures, in accordance with GAAP, to the extent that (a) such capital expenditures were funded with the proceeds from an issuance of, or additional contributions to, Equity Interests of the Borrower, (b) the Borrower notified the Administrative Agent, substantially contemporaneously with the receipt of such cash proceeds, of the intended use of such cash proceeds, including in reasonable detail a description of the capital expenditures to be funded by such cash proceeds, and (c) such capital expenditures were made (i) on or after the date of such issuance or contribution and (ii) on or prior to the date that is 90 days after the date of such issuance or contribution.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such Equity Interest.



“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute.

“ERISA Affiliate” means each trade or business (whether or not incorporated) which together with the Borrower or a Subsidiary would be deemed to be a “single employer” within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

“ERISA Event” means (i) a “Reportable Event” described in section 4043 of ERISA, other than a Reportable Event as to which the provisions of thirty (30) days’ notice to the PBGC is expressly waived under applicable regulations, (ii) the withdrawal of the Borrower, a Subsidiary or any ERISA Affiliate from a Plan during a plan year in which it was a “substantial employer” as defined in section 4001(a)(2) of ERISA, (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under section 4041 of ERISA, (iv) the institution of proceedings to terminate a Plan by the PBGC, (v) receipt of a notice of withdrawal liability pursuant to Section 4202 of ERISA or (vi) any other event or condition which might constitute grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

“Erroneous Payment” has the meaning assigned thereto in Section 11.14(a).

“Erroneous Payment Deficiency Assignment” has the meaning assigned thereto in Section 11.14(d).

“Erroneous Payment Impacted Class” has the meaning assigned thereto in Section 11.14(d).

“Erroneous Payment Return Deficiency” has the meaning assigned thereto in Section 11.14(d).

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Event of Default” has the meaning assigned to such term in Section 10.01.

“Excepted Liens” means: (a) Liens for Taxes, assessments or other governmental charges or levies which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (b) Liens in connection with workers’ compensation, unemployment insurance or other social security, old age pension or public liability obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (c) statutory landlord’s liens, operators’, vendors’, carriers’, warehousemen’s, repairmen’s, mechanics’, suppliers’, workers’, materialmen’s, construction or other like Liens, in each case, arising by operation of law in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Properties each of which is in respect of obligations that are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (d) contractual Liens which arise in the ordinary course of business under

operating agreements, joint venture agreements, oil and gas partnership agreements, oil and gas leases, farm-out agreements, division orders, contracts for the sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements, overriding royalty agreements, marketing agreements, processing agreements, net profits agreements, development agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or other geophysical permits or agreements, and other agreements which are usual and customary in the oil and gas business and are for claims which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP, *provided* that any such Lien referred to in this clause does not materially impair the use of the Property covered by such Lien for the purposes for which such Property is held by the Borrower or any Subsidiary or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, *provided* that no such deposit account is a dedicated cash collateral account or is subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board and no such deposit account is intended by the Borrower or any of its Subsidiaries to provide collateral to the depository institution; (f) easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any Property of the Borrower or any Subsidiary for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such Property for the purposes of which such Property is held by the Borrower or any Subsidiary or materially impair the value of such Property subject thereto; (g) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business and (h) judgment and attachment Liens not giving rise to an Event of Default, *provided* that any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced; *provided, further* that (A) Liens described in clauses (a) through (e) shall remain "Excepted Liens" only for so long as no action to enforce such Lien has been commenced and no intention to subordinate the first priority Lien granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Excepted Liens and (B) the term "Excepted Liens" shall not include any Lien securing Debt for borrowed money other than the Indebtedness.

"Excess Cash" means, at any time, the aggregate cash or cash equivalents of the Credit Parties (other than Excluded Cash) in excess of \$10,000,000.

"Excluded Accounts" means, collectively for the Borrower and its Subsidiaries, (a) one or more Deposit Accounts, Commodity Accounts, and Securities Accounts that in the aggregate at all times have a balance of under \$1,000,000, (b) all payroll accounts, (c) all benefit accounts, (d) all withholding and other fiduciary accounts, and (e) all zero balance disbursement accounts.

“Excluded Cash” means (a) any cash to be used to pay obligations of the Credit Parties then due and owing to unaffiliated third parties and for which the Credit Parties have issued checks or have initiated wires or ACH transfers in order to pay such obligations, (b) cash held in (i) accounts designated and used solely for payroll or employee benefits, (ii) cash collateral accounts with respect to Letters of Credit, (iii) trust accounts held and used exclusively for the payment of taxes of the Credit Parties, and (iv) suspense or trust accounts held and used exclusively for royalty and working interest payments owing to third parties, (c) any cash or cash equivalents constituting purchase price deposits held in escrow by or from an unaffiliated third party pursuant to a binding and enforceable purchase and sale agreement with an unaffiliated third party containing customary provisions regarding the payment and refunding of such deposits, and (d) any cash proceeds from an issuance of, or additional contributions to, Equity Interests of the Borrower or from a Borrowing to be used to pay obligations of the Credit Parties pursuant to a binding and enforceable purchase and sale agreement with an unaffiliated third party that, if requested by the Administrative Agent, are segregated from other funds of the Credit Parties in a manner reasonably acceptable to the Administrative Agent; *provided* that (x) to the extent such cash is proceeds from an issuance of, or additional contributions to, Equity Interests of the Borrower, (1) the Borrower shall notify the Administrative Agent, substantially contemporaneously with the receipt of such cash proceeds, of the intended use of such cash proceeds and that such cash proceeds will constitute Excluded Cash (subject to the following clause (2)) and (2) such cash proceeds shall only constitute Excluded Cash from the date of such issuance or contribution through and including the 90<sup>th</sup> day after such issuance or contribution and (y) to the extent such cash is proceeds from a Borrowing, (1) the Borrower shall notify the Administrative Agent, substantially contemporaneously with the Borrowing, of the intended use of such cash proceeds and that such cash proceeds will constitute Excluded Cash (subject to the following clause (2)) and (2) such cash proceeds shall only constitute Excluded Cash from the date of such Borrowing through and including the 5<sup>th</sup> Business Day after such Borrowing.

“Excluded Swap Obligation” means, with respect to any Credit Party individually determined on a Credit Party by Credit Party basis, any Indebtedness in respect of any Swap Agreement if, and solely to the extent that, all or a portion of the guarantee by such Credit Party of, or the grant by such Credit Party of a security interest to secure, such Indebtedness in respect of any Swap Agreement (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Credit Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act at the time such guarantee or grant of a security interest becomes effective with respect to such related Indebtedness in respect of any Swap Agreement. If any Indebtedness in respect of any Swap Agreement arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Indebtedness in respect of any Swap Agreement that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document, (i) income or franchise taxes imposed on (or measured by) its net income by the United States of America or such other jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located,

(ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower or any Guarantor is located, (iii) in the case of a Lender (other than an assignee pursuant to a request by the Borrower under Section 5.04(b)), any withholding tax that is imposed on amounts payable to such Lender pursuant to a law in effect at the time such Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts with respect to such withholding tax pursuant to Section 5.03(a) or Section 5.03(c), (d) taxes attributable to such Lender's failure to comply with Section 5.03(f), and (e) any United States federal withholding taxes imposed by FATCA.

"Existing Credit Agreement" has the meaning assigned to such term in the recitals hereto.

"Existing Letters of Credit" means the letters of credit listed on Annex II.

"Exiting Lender" means any "Lender" under the Existing Credit Agreement that will not be a Lender holding Commitments under this Agreement (except to the extent provided under Section 12.20(c)).

"FATCA" means Sections 1471 through 1474 of the Code as of the date of this Agreement and any regulations or official interpretations thereof.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it; *provided* that in no event shall the Federal Funds Effective Rate be less than 0%.

"Fee Letter" means that certain letter agreement among the Administrative Agent, Wells Fargo Securities, LLC, and the Borrower dated as of the Effective Date.

"Financial Officer" means, for any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person. Unless otherwise specified, all references herein to a Financial Officer means a Financial Officer of the Borrower.

"Financial Statements" means the financial statement or statements of the Borrower and its Consolidated Subsidiaries referred to in Section 7.04(a).

"Flood Insurance Regulations" means (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC § 4001, et seq.), as the same may be amended or recodified from time to time, and (iv) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder.

“Floor” means, with respect to any Benchmark, the benchmark rate floor, if any, provided in this Agreement (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise, as applicable) with respect to such Benchmark. As of the Effective Date, the Floor is 0%.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Free Cash Flow” means with respect to the Borrower and its Consolidated Subsidiaries, for any Rolling Period, the result of (a) EBITDAX for such period, minus (b) the sum of (i) exploration expenses, including plugging and abandonment expenses (to the extent not capitalized), (ii) capital expenditures (in accordance with GAAP) other than Equity-Funded Capital Expenditures, (iii) consolidated interest expense, (iv) Taxes, and (v) to the extent not included in the foregoing and added back in the calculation of EBITDAX, any other cash charge that reduces the earnings of the Borrower and the Consolidated Subsidiaries, in each case, for the foregoing clauses (i) through (v) to the extent applicable for such period.

“Free Cash Flow Usage Certificate” means a certificate of a Financial Officer in form and substance reasonably satisfactory to the Administrative Agent, certifying as to (and specifying in reasonable detail) (a) the amount of Free Cash Flow for the most recently ended Rolling Period for which a certificate has been delivered pursuant to Section 8.01(r), (b) the aggregate amount of all Restricted Payments made in reliance on Section 9.04(e) and Section 9.04(g) during the period of three consecutive Free Cash Flow Usage Periods most recently ended and during the then-current Free Cash Flow Usage Period and (c) the Distributable Free Cash Flow Amount being greater than or equal to \$0 after giving effect to the Restricted Payment to be made with the delivery of such certificate.

“Free Cash Flow Usage Period” means, as of any date of determination, the period commencing on the most recent date on which a certificate was delivered to the Administrative Agent pursuant to Section 8.01(r) and ending on (but not including) the date that the next certificate is delivered to the Administrative Agent pursuant to Section 8.01(r).

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to the Issuing Bank, such Defaulting Lender’s LC Exposure other than LC Exposure as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or cash collateralized in accordance with the terms hereof.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time subject to the terms and conditions set forth in Section 1.05.

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“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Governmental Requirement” means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, rules of common law, authorization or other directive or requirement, whether now or hereinafter in effect, of any Governmental Authority.

“Guarantors” means Vitesse Oil, Inc., a Delaware corporation, Vitesse Management Company LLC, a Delaware limited liability company and each other Subsidiary that guarantees the Indebtedness pursuant to Section 8.14(b).

“Guarantee and Collateral Agreement” means an agreement executed by the Credit Parties in substantially the form of Exhibit F unconditionally guaranteeing, on a joint and several basis, payment of the Indebtedness, and granting Liens and a security interest on the Credit Parties’ personal property constituting Collateral (as defined therein) in favor of the Administrative Agent for the benefit of the Secured Parties to secure the Indebtedness, as the same may be amended, modified or supplemented from time to time.

“Hazardous Material” means any substance regulated or as to which liability might arise under any applicable Environmental Law including: (i) any chemical, compound, material, product, byproduct, substance or waste defined as or included in the definition or meaning of “hazardous substance,” “hazardous material,” “hazardous waste,” “solid waste,” “toxic waste,” “extremely hazardous substance,” “toxic substance,” “contaminant,” “pollutant,” or words of similar meaning or import found in any applicable Environmental Law; (ii) Hydrocarbons, petroleum products, petroleum substances, natural gas, oil, oil and gas waste, crude oil, and any components, fractions, or derivatives thereof; and (iii) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, infectious or medical wastes.

“Highest Lawful Rate” means, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Loans or on other Indebtedness under laws applicable to such Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“Indebtedness” means any and all amounts owing or to be owing by the Borrower, any Subsidiary or any Guarantor (whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising): (a) to any Agent, the Issuing Bank or any Lender under any Loan Document, including all interest on any of the Loans (including any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of any Credit Party (or could accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such case, proceeding or other action); (b) to any Secured Swap Provider under any Secured Swap Agreement; (c) to any Bank Products Provider in respect of Bank Products; and (d) all renewals, extensions and/or rearrangements of any of the above; *provided* that solely with respect to any Credit Party that is not an “eligible contract participant” under the Commodity Exchange Act, Excluded Swap Obligations of such Credit Party shall in any event be excluded from “Indebtedness” owing by such Credit Party.

“Indemnified Taxes” means Taxes imposed on or with respect to any payment made by or on account of any obligation of the Borrower or any Guarantor under any Loan Document other than Excluded Taxes.

“Indemnitee” has the meaning assigned to such term in Section 12.03(b).

“Initial Reserve Report” means the report of Cawley, Gillespie & Associates, Inc. dated December 17, 2021 with respect to certain Oil and Gas Properties of the Credit Parties that are Qualified ECP Guarantors as of December 1, 2021.

“Interest Election Request” means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.04.

“Interest Payment Date” means (i) with respect to any ABR Loan, the last day of each March, June, September and December and (ii) with respect to any SOFR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a SOFR Borrowing with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period.

“Interest Period” means with respect to any SOFR Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, three or six months thereafter, as the Borrower may elect; *provided* that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period pertaining to a SOFR Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the

last calendar month of such Interest Period and (iii) no tenor that has been removed from this definition pursuant to [Section 3.03\(c\)\(iv\)](#) and not thereafter reinstated pursuant to such section shall be available for specification in any Borrowing Request or Interest Election Request. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“[Interim Redetermination](#)” has the meaning assigned to such term in [Section 2.07\(b\)](#).

“[Interim Redetermination Date](#)” means the date on which a Borrowing Base that has been redetermined pursuant to an Interim Redetermination becomes effective as provided in [Section 2.07\(d\)](#).

“[Investment](#)” means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person or any agreement to make any such acquisition (including any “short sale” or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any deposit with, or advance, loan or capital contribution to, assumption of Debt of, purchase or other acquisition of any other Debt or equity participation or interest in, or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person, but excluding any such advance, loan or extension of credit having a term not exceeding ninety (90) days representing the purchase price of inventory or supplies sold by such Person in the ordinary course of business); (c) the purchase or acquisition (in one or a series of transactions) of Property (other than Equity Interests) of another Person that constitutes a business unit; or (d) the entering into of any guarantee of, or other contingent obligation (including the deposit of any Equity Interests to be sold) with respect to, any Debt or other obligations of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

“[Issuing Bank](#)” means Wells Fargo, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in [Section 2.08\(i\)](#). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term “[Issuing Bank](#)” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“[LC Commitment](#)” at any time means the lesser of (a) five million dollars (\$5,000,000) and (b) the Borrowing Base in effect at such time.

“[LC Disbursement](#)” means a payment made by the Issuing Bank pursuant to a Letter of Credit.

“[LC Exposure](#)” means, at any time, the sum of (i) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (ii) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“[Lenders](#)” means the Persons listed on Annex I and any Person that shall have become a party hereto pursuant to an Assignment and Assumption and any Person that shall have become a party hereto as an Additional Lender pursuant to [Section 2.06\(c\)](#), in each case, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.



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“Letter of Credit” means any standby letter of credit issued pursuant to this Agreement and any Existing Letter of Credit.

“Letter of Credit Agreements” means all letter of credit applications and other agreements (including any amendments, modifications or supplements thereto) submitted by the Borrower, or entered into by the Borrower, with the Issuing Bank relating to any Letter of Credit.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to (i) the lien or security interest arising from a deed of trust, mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (ii) production payments and the like payable out of Oil and Gas Properties. The term “Lien” shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations. For the purposes of this Agreement, the Borrower and its Subsidiaries shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

“Liquidate” means, with respect to any Swap Agreement, the sale, assignment, novation, unwind, monetization or termination of all or any part of such Swap Agreement or the creation of an offsetting position against all or any part of such Swap Agreement, except for any such assignment or novation to an Affiliate or successor of the Approved Counterparty thereto which Affiliate or successor itself meets the requirements of the definition of “Approved Counterparty”. The term “Liquidated” has a correlative meaning thereto.

“LLC Agreement” means the Second Amended and Restated Limited Liability Company Agreement of the Borrower dated July 1, 2018, as amended by that First Amendment to Amended and Restated Limited Liability Company Agreement dated February 18, 2020, and as in effect on the Effective Date without giving effect to any further amendments, modifications, supplements or other changes thereto.

“Loan Documents” means this Agreement, the Notes, the Letter of Credit Agreements, the Fee Letter, the Letters of Credit, the Security Instruments and any other document identified as a “Loan Document” delivered in connection with this Agreement from time to time, in each case, as the same may be amended, modified, supplemented or restated from time to time.

“Loans” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“Management Incentive Units” means the “Management Incentive Units” in the Borrower described in the Borrower’s incentive compensation plan as established in Section 3.4(a) of the LLC Agreement held by Robert W. Gerrity and Brian J. Cree as of May 12, 2015, and any additional Management Incentive Units in the Borrower issued to Robert W. Gerrity and Brian J. Cree following such date pursuant to the terms of the LLC Agreement.

“Material Adverse Effect” means a material adverse change in, or material adverse effect on (i) the business, operations, Property, condition (financial or otherwise) or prospects of the Borrower and the Subsidiaries taken as a whole, (ii) the ability of the Borrower, any Subsidiary or any Guarantor to perform any of its obligations under any Loan Document, (iii) the validity or enforceability of any Loan Document or (iv) the rights and remedies of or benefits available to the Administrative Agent, any other Agent, the Issuing Bank or any Lender under any Loan Document.

“Material Indebtedness” means, at any time, Debt (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding the lesser of (a) 5% of the Borrowing Base then in effect and (b) \$5,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Borrower or any Subsidiary in respect of any Swap Agreement at any time shall be the Swap Termination Value of such Swap Agreement.

“Maturity Date” means April 29, 2026.

“Maximum Credit Amount” means, as to each Lender, the amount set forth opposite such Lender’s name on Annex I under the caption “Maximum Credit Amounts”, as the same may be (i) reduced or terminated from time to time in connection with a reduction or termination of the Aggregate Maximum Credit Amounts pursuant to Section 2.06(b) or (ii) modified from time to time pursuant to any assignment permitted by Section 12.04(b).

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

“Mortgaged Property” means any Property owned by the Borrower or any Guarantor which is subject to the Liens existing and to exist under the terms of the Security Instruments.

“New Borrowing Base Notice” has the meaning assigned to such term in Section 2.07(d).

“Non-Consenting Lender” means any Lender that does not approve (a) any consent, waiver or amendment (other than any approval of any increase in the Borrowing Base) that (i) requires the approval of all Lenders, all Non-Defaulting Lenders or all affected Lenders in accordance with the terms of Section 12.02(b) and (ii) has been approved by the Required Lenders or (b) any Borrowing Base increase that has been approved by (I) at any time while no Loans or LC Exposure is outstanding, two or more Non-Defaulting Lenders having at least ninety percent (90%) of the Aggregate Maximum Credit Amounts and (II) at any time while any Loans or LC Exposure is outstanding, two or more Non-Defaulting Lenders holding at least ninety percent (90%) of the outstanding aggregate principal amount of the Loans and participation interests in Letters of Credit (without regard to any sale by a Lender of a participation in any Loan under Section 12.04(c)).

“Non-Defaulting Lender” means any Lender that is not a Defaulting Lender at such time.

“Notes” means the promissory notes of the Borrower described in Section 2.02(d) and being substantially in the form of Exhibit A, together with all amendments, modifications, replacements, extensions and rearrangements thereof.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing. Unless otherwise expressly provided herein, all references in this Agreement to “Oil and Gas Properties” refer to Oil and Gas Properties owned by the Borrower and its Subsidiaries, as the context requires.

“Other Taxes” means any and all present or future stamp, court or documentary, intangible, recording, filing, excise, property or other similar Taxes, charges or levies arising from any payment made hereunder or from the execution, delivery, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement and any other Loan Document.

“Participant” has the meaning set forth in Section 12.04(c)(i).

“Participant Register” has the meaning set forth in Section 12.04(c)(i).

“Payment Recipient” has the meaning assigned thereto in Section 11.14(a).

“PBGC” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“Periodic Term SOFR Determination Day” has the meaning assigned thereto in the definition of “Term SOFR”.

“Permitted Investors” means Leucadia National Corporation.

“Permitted Tax Distributions” means, with respect to the Borrower so long as it is taxable as a partnership for United States federal income tax purposes, tax distributions to the members of Borrower in an aggregate annual amount that does not exceed (a) the sum of the highest marginal United States federal and New York state income tax rates applicable to individuals on ordinary income, multiplied by (b) the Borrower’s federal taxable income.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan, as defined in section 3(2) of ERISA, which (i) is currently or hereafter sponsored, maintained or contributed to by the Borrower, a Subsidiary or an ERISA Affiliate or (ii) was at any time during the six calendar years preceding the date hereof, sponsored, maintained or contributed to by the Borrower or a Subsidiary or an ERISA Affiliate.

“Platform” means Debt Domain, Intralinks, SyndTrak or a substantially similar electronic transmission system.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by Wells Fargo as its prime rate in effect at its principal office in San Francisco, California; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Such rate is set by the Administrative Agent as a general reference rate of interest, taking into account such factors as the Administrative Agent may deem appropriate; it being understood that many of the Administrative Agent’s commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that the Administrative Agent may make various commercial or other loans at rates of interest having no relationship to such rate.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Proposed Acquisition” means any acquisition permitted by this Agreement by the Borrower or any Subsidiary of Oil and Gas Properties (or of Equity Interests in a Person owning Oil and Gas Properties) for which a binding purchase and sale agreement or similar definitive agreement has been signed by the Borrower or a Subsidiary with an unrelated third party.

“Proposed Borrowing Base” has the meaning assigned to such term in Section 2.07(c)(i).

“Proposed Borrowing Base Notice” has the meaning assigned to such term in Section 2.07(c)(ii).

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

“QFC Credit Support” has the meaning assigned to such term in Section 12.18.

“Qualified ECP Guarantor” means, in respect of any Swap Agreement, each Credit Party that (a) has total assets exceeding \$10,000,000 at the time any guarantee of obligations under such Swap Agreement or grant of the relevant security interest becomes effective or (b) otherwise constitutes an “eligible contract participant” under the Commodity Exchange Act and can cause another Person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Redemption” means with respect to any Debt, the repurchase, redemption, prepayment, repayment, defeasance or any other acquisition or retirement for value (or the segregation of funds with respect to any of the foregoing) of such Debt. “Redeem” has the correlative meaning thereto.

“Redetermination Date” means, with respect to any Scheduled Redetermination or any Interim Redetermination, the date that the redetermined Borrowing Base related thereto becomes effective pursuant to Section 2.07(d).

“Register” has the meaning assigned to such term in Section 12.04(b)(iv).

“Regulation D” means Regulation D of the Board, as the same may be amended, supplemented or replaced from time to time.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors (including attorneys, accountants and experts) of such Person and such Person’s Affiliates.

“Release” means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing.

“Relevant Governmental Body” means the Board or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board or the Federal Reserve Bank of New York, or any successor thereto.

“Remedial Work” has the meaning assigned to such term in Section 8.10(a).

“Required Lenders” means, (i) if there are less than three Lenders at such time, all Non-Defaulting Lenders, and (ii) if there are three or more Lenders at such time, (A) at any time while no Loans or LC Exposure is outstanding, Non-Defaulting Lenders having at least sixty-six and two-thirds percent (66-2/3%) of the Aggregate Maximum Credit Amounts of all Non-Defaulting Lenders; and (B) at any time while any Loans or LC Exposure is outstanding, Non-Defaulting Lenders holding at least sixty-six and two-thirds percent (66-2/3%) of the outstanding aggregate principal amount of the Loans and participation interests in Letters of Credit of all Non-Defaulting Lenders (without regard to any sale by a Non-Defaulting Lender of a participation in any Loan under Section 12.04(c)).

“Reserve Report” means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of the dates set forth in Section 8.12(a) (or such other date in the event of an Interim Redetermination) the oil and gas reserves attributable to the Oil and Gas Properties of the Credit Parties that are Qualified ECP Guarantors and the operator of each Oil and

Gas Property listed therein, together with a projection of the rate of production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions consistent with SEC reporting requirements at the time and reflecting Swap Agreements in place with respect to such production.

“Responsible Officer” means, as to any Person, the Chief Executive Officer, the President, any Financial Officer or any Vice President of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Borrower.

“Restricted Payment” means (a) any dividend or other distribution (whether in cash, securities or other Property) with respect to any Equity Interests in the Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any of its Subsidiaries or any option, warrant or other right to acquire any such Equity Interests in the Borrower or any of its Subsidiaries and (b) any payment of management fees, advisory fees or similar fees by the Borrower or any Subsidiary to any holders of their Equity Interests or any Affiliates thereof.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans and its LC Exposure at such time.

“Rolling Period” means, as of the last day of each fiscal quarter, any period of four (4) consecutive fiscal quarters ending on such day.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., and any successor thereto that is a nationally recognized rating agency.

“Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (as of the Effective Date, The So-Called Donetsk People’s Republic, The So-Called Luhansk People’s Republic, Crimea, Cuba, Iran, North Korea, The Region of Ukraine, Venezuela and Syria).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, or by the United Nations Security Council, the European Union or any European Union member state or Her Majesty’s Treasury of the United Kingdom, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty’s Treasury of the United Kingdom.

“Scheduled Redetermination” has the meaning assigned to such term in Section 2.07(b).

“Scheduled Redetermination Date” means the date on which a Borrowing Base that has been redetermined pursuant to a Scheduled Redetermination becomes effective as provided in Section 2.07(d).

“SEC” means the Securities and Exchange Commission or any successor Governmental Authority.

“Secured Parties” means, collectively, the Administrative Agent, the Lenders, the Issuing Bank, the Bank Products Providers, Secured Swap Providers and each Indemnitee, and “Secured Party” means any of them individually.

“Secured Swap Agreement” means any Swap Agreement entered into by a Credit Party with a Secured Swap Provider, including any Swap Agreement in existence prior to the date hereof, but excluding any additional transactions or confirmations entered into (a) after such Secured Swap Provider ceases to be a Lender or an Affiliate of a Lender or (b) after assignment by a Secured Swap Provider to another Secured Swap Provider that is not a Lender or an Affiliate of a Lender

“Secured Swap Provider” means any (a) Person that is a party to a Swap Agreement with the Borrower or any of its Subsidiaries that entered into such Swap Agreement before or while such Person was a Lender or an Affiliate of a Lender (or a Lender or an Affiliate of a Lender under the Existing Credit Agreement), whether or not such Person at any time ceases to be a Lender or an Affiliate of a Lender, as the case may be, or (b) assignee of any Person described in clause (a) above so long as such assignee is a Lender or an Affiliate of a Lender.

“Securities Account” shall have the meaning set forth in Article 8 of the UCC.

“Security Instruments” means the Guarantee and Collateral Agreement, Account Control Agreements, UCC financing statements, mortgages, deeds of trust and other agreements, instruments or certificates described or referred to in Exhibit E, and any and all other mortgages, UCC financing statements, agreements, instruments, consents or certificates now or hereafter executed and delivered by the Borrower or any other Person (other than Swap Agreements with the Lenders or any Affiliate of a Lender or participation or similar agreements between any Lender and any other lender or creditor with respect to any Indebtedness pursuant to this Agreement) in connection with, or as security for the payment or performance of the Indebtedness, the Notes, this Agreement, or reimbursement obligations under the Letters of Credit, as such agreements may be amended, modified, supplemented or restated from time to time.

“Services Agreement” means that certain Services Agreement, dated as of May 7, 2014, by and among the Borrower, Vitesse Management Company LLC and Vitesse Oil, LLC.

“SOFR” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Loan” means any Loan bearing interest at a rate based on Adjusted Term SOFR as provided in Section 2.04(b).

“subsidiary” means, with respect to any Person (the “parent”) at any date, any other Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other Person (i) of which Equity Interests representing more than 50% of the equity or more than 50% of the ordinary voting power (irrespective of whether or not at the time Equity Interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency) or, in the case of a partnership, any general partnership interests are, as of such date, owned, controlled or held, or (ii) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary” means any subsidiary of the Borrower.

“Supported OFC” has the meaning set forth in Section 12.18.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement, whether exchange traded, “over-the-counter” or otherwise, involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions (including any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act); *provided* that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or its Subsidiaries shall be a Swap Agreement. Notwithstanding the foregoing, solely for purposes of Section 9.18, the term “Swap Agreement” shall not include any purchased put options or floors for Hydrocarbons that are not related to corresponding calls, collars or swaps and with respect to which neither Borrower nor any Subsidiary has any payment obligation other than premiums and charges the total amount of which are fixed and known at the time such transaction is entered into.

“Swap Compliance Date” has the meaning set forth in Section 8.19.

“Swap Termination Value” means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, (a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined by the counterparties to such Swap Agreements.

“Synthetic Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, treated as operating leases on the financial statements of the Person liable (whether contingently or otherwise) for the payment of rent thereunder and which were properly treated as indebtedness for borrowed money for purposes of United States federal income taxes, if the lessee in respect thereof is obligated to either purchase for an amount in excess of, or pay upon early termination an amount in excess of, 80% of the residual value of the Property subject to such operating lease upon expiration or early termination of such lease.



“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term SOFR” means,

(a) for any calculation with respect to a SOFR Loan, the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the “Periodic Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day, and

(b) for any calculation with respect to an ABR Loan on any day, the Term SOFR Reference Rate for a tenor of one month on the day (such day, the “Base Rate Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Base Rate SOFR Determination Day.

“Term SOFR Adjustment” means a percentage equal to 0.10% per annum.

“Term SOFR Administrator” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Administrative Agent in its reasonable discretion).

“Term SOFR Reference Rate” means the forward-looking term rate based on SOFR. “Termination Date” means the earlier of the Maturity Date and the date of termination of the Commitments.

“Total Funded Debt” means, at any date and without duplication, all Debt of the Borrower and Subsidiaries on a consolidated basis other than (i) contingent obligations in respect of Debt described in clause (b) of the definition of Debt, and (ii) Debt described in clauses (c), (i), (j) and (m) of the definition of Debt.

“Transactions” means, with respect to (i) the Borrower, the execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder, and the grant of Liens by the Borrower on Properties pursuant to the Security Instruments and (ii) each Guarantor, the execution, delivery and performance by such Guarantor of each Loan Document to which it is a party, the guaranteeing of the Indebtedness and the other obligations under the Guarantee and Collateral Agreement by such Guarantor and such Guarantor’s grant of Liens on Properties pursuant to the Security Instruments.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Alternate Base Rate or Term SOFR.

“UCC” means the Uniform Commercial Code, as in effect from time to time, of the State of New York or of any other state the laws of which are required as a result thereof to be applied in connection with the attachment, perfection or priority of, or remedies with respect to, Administrative Agent’s or any Secured Party’s Lien on any Collateral (as defined in the Guarantee and Collateral Agreement).

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“USA Patriot Act” means the USA PATRIOT ACT (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“U.S. Government Securities Business Day” means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities; provided, that for purposes of notice requirements in Sections 2.03 and 2.04(b), in each case, such day is also a Business Day.

“U.S. Special Resolution Regimes” has the meaning set forth in Section 12.18.

“U.S. Tax Compliance Certificate” has the meaning set forth in Section 5.03(f).

“Utilization Percentage” means, as of any day, the fraction expressed as a percentage, the numerator of which is the sum of the Revolving Credit Exposures of the Lenders on such day, and the denominator of which is the total Commitments in effect on such day.

“Wholly-Owned Subsidiary” means any Subsidiary of which all of the outstanding Equity Interests (other than any directors’ qualifying shares mandated by applicable law), on a fully-diluted basis, are owned by the Borrower or one or more of the Wholly-Owned Subsidiaries or are owned by the Borrower and one or more of the Wholly-Owned Subsidiaries.

“Withholding Agent” means any Credit Party or the Administrative Agent.

“Write-Down and Conversion Powers” means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.03 Types of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings, respectively, may be classified and referred to by Type (e.g., a “SOFR Loan” or a “SOFR Borrowing”).

Section 1.04 Terms Generally; Rules of Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” as used in this Agreement shall be deemed to be followed by the phrase “without limitation”. The word “will” as used in this Agreement shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Loan Documents), (b) any reference herein to any law shall be construed as referring to such law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to the restrictions contained in the Loan Documents), (d) the words “herein”, “hereof” and “hereunder”, and words of similar import as used in this Agreement, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) with respect to the determination of any time period, the word “from” as used in this Agreement means “from and including” and the word “to” means “to and including” and (f) any reference herein to Articles, Sections, Annexes, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement. No provision of this Agreement or any other Loan Document shall be interpreted or construed against any Person solely because such Person or its legal representative drafted such provision.

Section 1.05 Accounting Terms and Determinations: GAAP. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Administrative Agent or the Lenders hereunder shall be prepared, in accordance with GAAP, applied on a consistent basis except for changes in which the Borrower's independent certified public accountants concur and which are disclosed to the Administrative Agent as part of, or along with, the audited annual financial statements delivered to the Lenders pursuant to Section 8.01(a); *provided* that, unless the Borrower and the Required Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants set forth in Section 9.01 is computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods; and *provided, further*, that for purposes of such covenant compliance all leases by the Borrower and its Subsidiaries shall continue to be accounted for as operating leases or capital leases in accordance with generally accepted accounting principles as in effect on November 30, 2020 without regard to any future effectiveness of ASC 842. In the event that any Accounting Changes shall occur and such change results in a change in the method of calculation of covenants, standards or terms in this Agreement, then at the Borrower's or Administrative Agent's request, the Administrative Agent, the Lenders and the Borrower shall enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such Accounting Changes with the desired result that the application of this Agreement to the Credit Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred.

Section 1.06 Rates. The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or with respect to any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement), as it may or may not be adjusted pursuant to Section 3.03(c), will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Administrative Agent and its Affiliates or other related entities may engage in transactions that affect the calculation of the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto and such transactions may be adverse to the Borrower. The Administrative Agent may select information sources or services in

its reasonable discretion to ascertain the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any other Benchmark, any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

Section 1.07 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

## **ARTICLE II THE CREDITS**

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, repay and reborrow the Loans.

### Section 2.02 Loans and Borrowings.

(a) Borrowings; Several Obligations. Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; *provided* that the Commitments are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Types of Loans. Subject to Section 3.03, each Borrowing shall be comprised entirely of ABR Loans or SOFR Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any SOFR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) Minimum Amounts; Limitation on Number of Borrowings. At the commencement of each Interest Period for any SOFR Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000; *provided* that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or

that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.08(e). Borrowings of more than one Type may be outstanding at the same time, *provided* that there shall not at any time be more than a total of seven (7) SOFR Borrowings outstanding. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

(d) Notes. To the extent so requested by such Lender, the Loans made by each Lender shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A, dated, in the case of (i) any Lender party hereto as of the date of this Agreement, as of the date of this Agreement, (ii) any Lender that becomes a party hereto pursuant to an Assignment and Assumption, as of the effective date of the Assignment and Assumption or (iii) in the case of any Additional Lender that becomes a party hereto in connection with an increase in the Aggregate Elected Commitment Amounts pursuant to Section 2.06(c), as of the effective date of such increase, in each case, payable to such Lender in a principal amount equal to its Maximum Credit Amount as in effect on such date, and otherwise duly completed. In the event that any Lender's Maximum Credit Amount increases or decreases for any reason (whether pursuant to Section 2.06, Section 12.04(b) or otherwise), the Borrower shall, to the extent so requested by such Lender, deliver or cause to be delivered on the effective date of such increase or decrease, a new Note payable to such Lender in a principal amount equal to its Maximum Credit Amount after giving effect to such increase or decrease, and otherwise duly completed, and such Lender shall thereafter deliver to the Borrower the replaced Note marked cancelled. The date, amount, Type, interest rate and, if applicable, Interest Period of each Loan made by each Lender, and all payments made on account of the principal thereof, shall be recorded by such Lender on its books for its Note. Failure to make any such recordation shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of its Note.

Section 2.03 Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone or other communication in writing acceptable to the Administrative Agent (a) in the case of a SOFR Borrowing, not later than 12:00 noon, Denver, Colorado time, three (3) U.S. Government Securities Business Days before the date of the proposed Borrowing (or in the case of a SOFR Borrowing on the Effective Date, not later than 12:00 noon, Denver, Colorado time, one (1) U.S. Government Securities Business Day before the Effective Date) or (b) in the case of an ABR Borrowing, not later than 12:00 noon, Denver, Colorado time, one (1) Business Day before the date of the proposed Borrowing; *provided* that no such notice shall be required for any deemed request of an ABR Borrowing to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e). Each Borrowing Request shall be irrevocable and each telephonic Borrowing Request shall be confirmed promptly by hand delivery or fax to the Administrative Agent (or other communication in writing acceptable to the Administrative Agent) of a written Borrowing Request in substantially the form of Exhibit B and signed by the Borrower. Each Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a SOFR Borrowing;

(iv) in the case of a SOFR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";

(v) the amount of the then effective Borrowing Base, the amount of the then effective Aggregate Elected Commitment Amounts, the current total Revolving Credit Exposures (without regard to the requested Borrowing) and the *pro forma* total Revolving Credit Exposures (giving effect to the requested Borrowing); and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested SOFR Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Each Borrowing Request shall constitute a representation by the Borrower that the amount of the requested Borrowing shall not cause the total Revolving Credit Exposures to exceed the total Commitments (i.e., the least of (x) the Aggregate Maximum Credit Amounts, (y) the then effective Borrowing Base and (z) the then effective Aggregate Elected Commitment Amounts).

Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

#### Section 2.04 Interest Elections.

(a) Conversion and Continuance. Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a SOFR Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a SOFR Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.04. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) Interest Election Requests. To make an election pursuant to this Section 2.04, the Borrower shall notify the Administrative Agent of such election by telephone or other communication in writing acceptable to the Administrative Agent by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each Interest Election Request shall be irrevocable and each telephonic Interest Election Request shall be confirmed promptly by hand delivery or fax to the Administrative Agent (or other communication in writing acceptable to the Administrative Agent) of a written Interest Election Request in substantially the form of Exhibit C and signed by the Borrower.

(c) Information in Interest Election Requests. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to Section 2.04(c) (iii) and (iv) shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a SOFR Borrowing; and

(iv) if the resulting Borrowing is a SOFR Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a SOFR Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Notice to Lenders by the Administrative Agent. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) Effect of Failure to Deliver Timely Interest Election Request and Events of Default and Borrowing Base Deficiencies on Interest Election. If the Borrower fails to deliver a timely Interest Election Request with respect to a SOFR Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default or a Borrowing Base Deficiency has occurred and is continuing: (i) no outstanding Borrowing may be converted to or continued as a SOFR Borrowing (and any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a SOFR Borrowing shall be ineffective) and (ii) unless repaid, each SOFR Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

#### Section 2.05 Funding of Borrowings.

(a) Funding by Lenders. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., Denver, Colorado time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent and designated by the Borrower in the applicable Borrowing Request; *provided* that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e) shall be remitted by the Administrative Agent to the Issuing Bank. Nothing herein shall be deemed to obligate any Lender to obtain the funds for its Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for its Loan in any particular place or manner.



(b) Presumption of Funding by the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.05(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

Section 2.06 Termination and Reduction of Aggregate Maximum Credit Amounts; Optional Increase, Reduction and Termination of Aggregate Elected Commitment Amounts.

(a) Scheduled Termination of Commitments. Unless previously terminated, the Commitments shall terminate on the Maturity Date. If at any time the Aggregate Maximum Credit Amounts, the Aggregate Elected Commitment Amounts or the Borrowing Base is terminated or reduced to zero, then the Commitments shall terminate on the effective date of such termination or reduction.

(b) Optional Termination and Reduction of Aggregate Maximum Credit Amounts.

(i) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Maximum Credit Amounts *provided that* (A) each reduction of the Aggregate Maximum Credit Amounts shall be in an amount that is an integral multiple of \$500,000 and not less than \$2,000,000 and (B) the Borrower shall not terminate or reduce the Aggregate Maximum Credit Amounts if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.04(c), the total Revolving Credit Exposures would exceed the total Commitments and (C) upon any reduction of the Aggregate Maximum Credit Amounts that would otherwise result in the Aggregate Maximum Credit Amounts being less than the Aggregate Elected Commitment Amounts, the Aggregate Elected Commitment Amounts shall be automatically reduced (ratably among the Lenders in accordance with each Lender's Applicable Percentage) so that they equal the Aggregate Maximum Credit Amounts as so reduced.

(ii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Maximum Credit Amounts under Section 2.06(b)(i) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.06(b)(ii) shall be irrevocable; *provided* that a notice of termination of the Aggregate Maximum Credit Amounts delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Aggregate Maximum Credit Amounts shall be permanent and may not be reinstated. Each reduction of the Aggregate Maximum Credit Amounts shall be made ratably among the Lenders in accordance with each Lender's Applicable Percentage.

(c) Optional Increases, Reductions and Terminations of Aggregate Elected Commitment Amounts.

(i) Subject to the conditions set forth in Section 2.06(c)(ii), the Borrower may increase the Aggregate Elected Commitment Amounts then in effect by increasing the Elected Commitment of a Lender or by causing a Person that is acceptable to the Administrative Agent that at such time is not a Lender to become a Lender (any such Person that is not at such time a Lender and becomes a Lender, an "Additional Lender"). Notwithstanding anything to the contrary contained in this Agreement, in no case shall an Additional Lender be the Borrower, any Affiliate of the Borrower, any Defaulting Lender or any natural person.

(ii) Any increase in the Aggregate Elected Commitment Amounts shall be subject to the following additional conditions:

(A) such increase shall not be less than \$10,000,000 (or, in the event such increase would otherwise exceed the Aggregate Maximum Credit Amounts, such lesser amount that would constitute the Aggregate Elected Commitment Amounts being equal to the Aggregate Maximum Credit Amounts) unless the Administrative Agent otherwise consents, and no such increase shall be permitted if after giving effect thereto the Aggregate Elected Commitment Amounts exceed the Borrowing Base then in effect;

(B) following any Scheduled Redetermination Date, the Borrower may not increase the Aggregate Elected Commitment Amounts more than once before the next Scheduled Redetermination Date (for the sake of clarity, all increases in the Aggregate Elected Commitment Amount effective on a single date shall be deemed a single increase in the Aggregate Elected Commitment Amount for purposes of this Section 2.06(c)(ii) (B));

(C) no Default shall have occurred and be continuing on the effective date of such increase;

(D) on the effective date of such increase, no SOFR Borrowings shall be outstanding or if any SOFR Borrowings are outstanding, then the effective date of such increase shall be the last day of the Interest Period in respect of such SOFR Borrowings unless the Borrower pays any compensation required by Section 5.02;

(E) no Lender's Elected Commitment may be increased without the consent of such Lender;

(F) if the Borrower elects to increase the Aggregate Elected Commitment Amounts by increasing the Elected Commitment of a Lender, the Borrower and such Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit I (an "Elected Commitment Increase Certificate"); and

(G) if the Borrower elects to increase the Aggregate Elected Commitment Amounts by causing an Additional Lender to become a party to this Agreement, then the Borrower and such Additional Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit J (an "Additional Lender Certificate"), together with an Administrative Questionnaire and a processing and recordation fee of \$3,500 (provided that the Administrative Agent may, in its discretion, elect to waive such processing and recordation fee in connection with any such increase), and the Borrower shall (1) if requested by the Additional Lender, deliver a Note payable to such Additional Lender in a principal amount equal to its Maximum Credit Amount, and otherwise duly completed and (2) pay any applicable fees as may have been agreed to between the Borrower and the Additional Lender, and, to the extent applicable and agreed to by the Borrower, the Administrative Agent.

(iii) Subject to acceptance and recording thereof pursuant to Section 2.06(c)(iv), from and after the effective date specified in the Elected Commitment Increase Certificate or the Additional Lender Certificate (or if any SOFR Borrowings are outstanding, then the last day of the Interest Period in respect of such SOFR Borrowings, unless the Borrower has paid any compensation required by Section 5.02): (A) the amount of the Aggregate Elected Commitment Amounts shall be increased as set forth therein, and (B) in the case of an Additional Lender Certificate, any Additional Lender party thereto shall be a party to this Agreement and have the rights and obligations of a Lender under this Agreement and the other Loan Documents. In addition, the Lender or the Additional Lender, as applicable, shall purchase a pro rata portion of the outstanding Loans (and participation interests in Letters of Credit) of each of the other Lenders (and such Lenders hereby agree to sell and to take all such further action to effectuate such sale) such that each Lender (including any Additional Lender, if applicable) shall hold its Applicable Percentage of the outstanding Loans (and participation interests) after giving effect to the increase in the Aggregate Elected Commitment Amounts (and the resulting modifications of each Lender's Maximum Credit Amount pursuant to Section 2.06(c)(iv) or Section 2.06(c)(v)).

(iv) Upon its receipt of a duly completed Elected Commitment Increase Certificate or an Additional Lender Certificate, executed by the Borrower and the Lender or by the Borrower and the Additional Lender party thereto, as applicable, the processing and recording fee referred to in Section 2.06(c)(ii), the Administrative Questionnaire referred to in Section 2.06(c)(ii) and the break-funding payments from the Borrower, if any, required by Section 5.02, if applicable, the Administrative Agent shall accept such Elected Commitment Increase Certificate or Additional Lender Certificate and record the information contained therein in the Register required to be maintained by the Administrative Agent pursuant to Section 12.04(b)(iv). No increase in the Aggregate Elected Commitment Amounts shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 2.06(c)(iv).

(v) Upon any increase in the Aggregate Elected Commitment Amounts pursuant to this Section 2.06(c), (A) each Lender's Maximum Credit Amount shall be automatically deemed amended to the extent necessary so that each such Lender's Applicable Percentage equals the percentage of the Aggregate Elected Commitment Amounts represented by such Lender's Elected Commitment, in each case after giving effect to such increase, and (B) Annex I to this Agreement shall be deemed amended to reflect the Elected Commitment of each Lender (including any Additional Lender) as thereby increased, any changes in the Lenders' Maximum Credit Amounts pursuant to the foregoing clause (A), and any resulting changes in the Lenders' Applicable Percentages.

(vi) The Borrower may from time to time terminate or reduce the Aggregate Elected Commitment Amounts; provided that (A) each reduction of the Aggregate Elected Commitment Amounts shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000 and (B) the Borrower shall not reduce the Aggregate Elected Commitment Amounts if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.04(c), the total Revolving Credit Exposures would exceed the Aggregate Elected Commitment Amounts as reduced.

(vii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Elected Commitment Amounts under Section 2.06(c)(vi) at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.06(c)(vii) shall be irrevocable. Any termination or reduction of the Aggregate Elected Commitment Amounts shall be permanent and may not be reinstated, except pursuant to Section 2.06(c)(i). Each reduction of the Aggregate Elected Commitment Amounts shall be made ratably among the Lenders in accordance with each Lender's Applicable Percentage.

(viii) Upon any redetermination or other adjustment in the Borrowing Base pursuant to this Agreement that would otherwise result in the Borrowing Base becoming less than the Aggregate Elected Commitment Amounts, the Aggregate Elected Commitment Amounts shall be automatically reduced (ratably among the Lenders in accordance with each Lender's Applicable Percentage) so that they equal such redetermined Borrowing Base (and Annex I shall be deemed amended to reflect such amendments to each Lender's Elected Commitment and the Aggregate Elected Commitment Amounts).

(ix) Contemporaneously with any increase in the Borrowing Base pursuant to this Agreement, if (A) the Borrower elects to increase the Aggregate Elected Commitment Amount and (B) each Lender has consented to such increase in its Elected Commitment, then the Aggregate Elected Commitment Amount shall be increased (ratably among the Lenders in accordance with each Lender's Applicable Percentage) by the amount requested by

the Borrower (subject to the limitations set forth in Section 2.06(c)(ii)(A)) without the requirement that any Lender deliver an Elected Commitment Increase Certificate or that the Borrower pay any amounts under Section 5.02, and Annex I shall be deemed amended to reflect such amendments to each Lender's Elected Commitment and the Aggregate Elected Commitment Amount. The Administrative Agent shall record the information regarding such increases in the Register required to be maintained by the Administrative Agent pursuant to Section 12.04(b)(iv).

Section 2.07 Borrowing Base.

(a) Initial Borrowing Base. For the period from and including the Effective Date to but excluding the first Redetermination Date hereafter, the amount of the Borrowing Base shall be \$200,000,000. Notwithstanding the foregoing, the Borrowing Base may be subject to further adjustments in between Scheduled Redeterminations from time to time pursuant to Section 2.07(e), Section 2.07(f) or Section 8.13(c).

(b) Scheduled and Interim Redeterminations. The Borrowing Base shall be redetermined semi-annually in accordance with this Section 2.07 (a "Scheduled Redetermination"), and, subject to Section 2.07(d), such redetermined Borrowing Base shall become effective and applicable to the Borrower, the Agents, the Issuing Bank and the Lenders on April 1st and October 1st of each year (or, in each case, such date promptly thereafter as reasonably practicable), commencing October 1, 2022. In addition, the Borrower may, by notifying the Administrative Agent thereof, and the Administrative Agent may, at the direction of the Required Lenders, by notifying the Borrower thereof, one time between Scheduled Redeterminations, each elect to cause the Borrowing Base to be redetermined between Scheduled Redeterminations (an "Interim Redetermination") in accordance with this Section 2.07.

(c) Scheduled and Interim Redetermination Procedure.

(i) Each Scheduled Redetermination and each Interim Redetermination shall be effectuated as follows: upon receipt by the Administrative Agent of (A) the Reserve Report and the certificate required to be delivered by the Borrower to the Administrative Agent, in the case of a Scheduled Redetermination, pursuant to Section 8.12(a) and (c), and, in the case of an Interim Redetermination, pursuant to Section 8.12(b) and (c), and (B) such other reports, data and supplemental information, including the information provided pursuant to Section 8.12(c), as may, from time to time, be reasonably requested by the Required Lenders (the Reserve Report, such certificate and such other reports, data and supplemental information being the "Engineering Reports"), the Administrative Agent shall evaluate the information contained in the Engineering Reports and shall, in its sole discretion, propose a new Borrowing Base (the "Proposed Borrowing Base") based upon such information and such other information (including the status of title information with respect to the Oil and Gas Properties as described in the Engineering Reports and the existence of any other Debt, the Credit Parties' other assets, liabilities, fixed charges, cash flow, business, properties, prospects, management and ownership, hedged and unhedged exposure to price, price and production scenarios, interest rate and operating cost changes) as the Administrative Agent deems appropriate in its sole discretion and consistent with its normal oil and gas lending criteria as it exists at the particular time. In no event shall the Proposed Borrowing Base exceed the Aggregate Maximum Credit Amounts;

(ii) The Administrative Agent shall notify the Borrower and the Lenders of the Proposed Borrowing Base (the "Proposed Borrowing Base Notice") after the Administrative Agent has received complete Engineering Reports from the Borrower and has had a reasonable opportunity to determine the Proposed Borrowing Base in accordance with Section 2.07(c)(i); and

(iii) Any Proposed Borrowing Base that would increase the Borrowing Base then in effect must be approved by all of the Lenders (other than any Defaulting Lenders) as provided in this Section 2.07(c)(iii); and any Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect must be approved or be deemed to have been approved by the Required Lenders as provided in this Section 2.07(c)(iii). Upon receipt of the Proposed Borrowing Base Notice, each Lender shall have fifteen (15) days to agree with the Proposed Borrowing Base or disagree with the Proposed Borrowing Base by proposing an alternate Borrowing Base. If, in the case of any Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, at the end of such fifteen (15) days, any Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be an approval of the Proposed Borrowing Base. If, in the case of any Proposed Borrowing Base that would increase the Borrowing Base then in effect, at the end of such fifteen (15) days, any Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be a disapproval of the Proposed Borrowing Base. If, at the end of such 15-day period, all of the Lenders (other than any Defaulting Lender), in the case of a Proposed Borrowing Base that would increase the Borrowing Base then in effect, or the Required Lenders, in the case of a Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, have approved or, in the case of a decrease or reaffirmation, deemed to have approved, as aforesaid, then the Proposed Borrowing Base shall become the new Borrowing Base, effective on the date specified in Section 2.07(d). If, however, at the end of such 15-day period, all of the Lenders or the Required Lenders, as applicable, have not approved or, in the case of a decrease or reaffirmation, deemed to have approved, as aforesaid, then the Administrative Agent shall poll the Lenders to ascertain the highest Borrowing Base then acceptable to (x) in the case of a decrease or reaffirmation, a number of Lenders sufficient to constitute the Required Lenders and (y) in the case of an increase, all of the Lenders (other than any Defaulting Lender), and such amount shall become the new Borrowing Base, effective on the date specified in Section 2.07(d).

(d) Effectiveness of a Redetermined Borrowing Base. After a redetermined Borrowing Base is approved or is deemed to have been approved by all of the Lenders or the Required Lenders, as applicable, pursuant to Section 2.07(c)(iii), the Administrative Agent shall notify the Borrower and the Lenders of the amount of the redetermined Borrowing Base (the "New Borrowing Base Notice"), and such amount shall become the new Borrowing Base, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders:

(i) in the case of a Scheduled Redetermination, (A) if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on the April 1st or October 1st (or, in each case, such date promptly thereafter as reasonably practicable), as applicable, following such notice, or (B) if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on the Business Day next succeeding delivery of such notice; and

(ii) in the case of an Interim Redetermination or a redetermination of the Borrowing Base pursuant to Section 2.07(f), on the Business Day next succeeding delivery of such notice.

Such amount shall then become the Borrowing Base until the next Scheduled Redetermination Date, the next Interim Redetermination Date or the next adjustment to the Borrowing Base under Section 2.07(e), Section 2.07(f) or Section 8.13(c), whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination or Interim Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

(e) Reduction Upon Asset Sales and Swap Liquidations. If, during the period between Scheduled Redetermination Dates, there occurs (i) any sales or other dispositions of Oil and Gas Properties or any interest therein (including as a result of any Casualty Events), (ii) any sales or dispositions of any Subsidiary owning Oil and Gas Properties and/or (iii) any Liquidations of any Swap Agreements in respect of commodities, then in each case, the Borrowing Base shall be reduced if and to the extent required by Section 9.12(d)(iv), in the manner set forth therein.

#### Section 2.08 Letters of Credit

(a) General. Subject to the terms and conditions set forth herein, at any time and from time to time during the Availability Period, at the request of Borrower the Issuing Bank shall issue, increase, renew or extend the expiration date of, Letters of Credit in a form reasonably acceptable to the Administrative Agent and the Issuing Bank in dollars in an aggregate amount not to exceed the LC Commitment; *provided* that the Borrower may not request the issuance, amendment, renewal or extension of Letters of Credit hereunder if a Borrowing Base Deficiency exists at such time or would exist as a result thereof. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit (i) the proceeds of which would be made available to any Person (A) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions or (B) in any manner that would result in a violation of any Sanctions by any party to this Agreement, (ii) if any order, judgment or decree of any Governmental Authority or arbitrator, in either case, with jurisdiction over the Issuing Bank, shall by its terms purport to enjoin or restrain the Issuing Bank from issuing such Letter of Credit, or any Governmental Requirement relating to the Issuing Bank or any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which the Issuing Bank in good faith deems material to it or (iii) if the issuance of such Letter of Credit would violate one or more policies of

the Issuing Bank applicable to letters of credit generally under similar circumstances for similarly situated borrowers; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives thereunder or issued in connection therewith or in the implementation thereof, and (y) all requests, rules, guidelines, requirements or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed not to be in effect on the Effective Date for purposes of clause (ii) above, regardless of the date enacted, adopted, issued or implemented

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or fax (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (not less than three (3) Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice:

- (i) requesting the issuance of a Letter of Credit or identifying the Letter of Credit to be amended, renewed or extended;
- (ii) specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day);
- (iii) specifying the date on which such Letter of Credit is to expire (which shall comply with Section 2.08(c));
- (iv) specifying the amount of such Letter of Credit;
- (v) specifying the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit; and
- (vi) specifying the amount of the then effective Borrowing Base and the then effective Aggregate Elected Commitment Amounts and whether a Borrowing Base Deficiency exists at such time, the current total Revolving Credit Exposures (without regard to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit) and the *pro forma* total Revolving Credit Exposures (giving effect to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit).

Each notice shall constitute a representation and warranty by the Borrower that after giving effect to the requested issuance, amendment, renewal or extension, as applicable, (x) the LC Exposure shall not exceed the LC Commitment and (y) the total Revolving Credit Exposures shall not exceed the total Commitments (i.e., the least of (A) the Aggregate Maximum Credit Amounts, (B) the then effective Borrowing Base and (C) the then effective Aggregate Elected Commitment Amounts). No letter of credit issued by the Issuing Bank (if the Issuing Bank is not the Administrative Agent) shall be deemed to be a "Letter of Credit" issued under this Agreement unless the Issuing Bank has requested and received written confirmation from the Administrative Agent that the representations by the Borrower contained in the foregoing clauses (x) and (y) are true and correct.



If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit; *provided* that, in the event of any conflict between such application or any Letter of Credit Agreement and the terms of this Agreement, the terms of this Agreement shall control.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date that is one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. On the date of issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.08(e), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.08(d) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default, the existence of a Borrowing Base Deficiency or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, Denver, Colorado time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Denver, Colorado time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, Denver, Colorado time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., Denver, Colorado time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; *provided* that the Borrower shall, subject to the conditions to Borrowing set forth herein, be deemed to have requested, and the Borrower does hereby request under such circumstances, that such payment be financed with an ABR Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following

receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this Section 2.08(e), the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this Section 2.08(e) to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this Section 2.08(e) to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.08(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Agreement or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or any Letter of Credit Agreement, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.08(f), constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; *provided* that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of a breach in bad faith by the Issuing Bank of its obligations under this Agreement, or the gross negligence or willful misconduct on the part of the Issuing Bank (in each case as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised all requisite care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by fax or other communication in writing acceptable to the Administrative Agent) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, until the Borrower shall have reimbursed the Issuing Bank for such LC Disbursement (either with its own funds or a Borrowing under Section 2.08(e)), the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans. Interest accrued pursuant to this Section 2.08(h) shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 2.08(e) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.05(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of the Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this Section 2.08(j), (ii) the LC Exposure exceeds the LC Commitment at any time as a result of a reduction in the Borrowing Base or (iii) the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c) or Section 3.04(e), then the Borrower shall deposit, in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to 103% of, (A) in the case of an Event of Default, the LC Exposure, (B) in the case of the LC Exposure exceeding the LC Commitment, the amount of such excess, and (C) in the case of a payment required by

Section 3.04(c) or Section 3.04(e), the amount of such excess as provided in Section 3.04(c) or Section 3.04(e), as of such date plus any accrued and unpaid interest thereon; *provided* that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower or any Subsidiary described in Section 10.01(h) or Section 10.01(i). The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, an exclusive first priority and continuing perfected security interest in and Lien on such account and all cash, checks, drafts, certificates and instruments, if any, from time to time deposited or held in such account, all deposits or wire transfers made thereto, any and all investments purchased with funds deposited in such account, all interest, dividends, cash, instruments, financial assets and other Property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing, and all proceeds, products, accessions, rents, profits, income and benefits therefrom, and any substitutions and replacements therefor. The Borrower's obligation to deposit amounts pursuant to this Section 2.08(j) shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Borrower or any of its Subsidiaries may now or hereafter have against any such beneficiary, the Issuing Bank, the Administrative Agent, the Lenders or any other Person for any reason whatsoever. Such deposit shall be held as collateral securing the payment and performance of the Borrower's and the Guarantors' obligations under this Agreement and the other Loan Documents. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Borrower and the Guarantors under this Agreement or the other Loan Documents. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, and the Borrower is not otherwise required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c) or Section 3.04(e), then such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(k) Defaulting Lenders. If, at any time, a Defaulting Lender exists hereunder and the reallocation described in Section 2.09(a)(iv) cannot, or can only partially, be effected, then, within one (1) Business Day following the written request of the Issuing Bank, the Borrower shall cash collateralize the Fronting Exposure of the Issuing Bank with respect to such Defaulting Lender (determined after giving effect to Section 2.09(a)(iv) and any cash collateral provided by such Defaulting Lender) with respect to the Defaulting Lender in an amount equal to the lesser of (x) the amount of such Fronting Exposure and (y) an amount otherwise agreeable to the Issuing Bank and the Administrative Agent in their sole discretion.

(i) Grant of Security Interest. The Borrower and, to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Bank, and agrees to maintain, a first priority security interest in all such cash collateral as security for the Defaulting Lenders' obligation to fund participations in respect of LC Exposure, to be applied pursuant to clause (ii) below. Such Borrower or Defaulting Lender, as applicable, shall execute any documents and agreements, including the Administrative Agent's standard form assignment of deposit accounts, that the Administrative Agent reasonably requests in connection therewith to establish such cash collateral account and to grant the Administrative Agent, for the benefit of the Issuing Bank, a first priority security interest in such account and the funds therein. If at any time the Administrative Agent determines that cash collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Bank as herein provided, or that the total amount of such cash collateral is less than the amount required above, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional cash collateral in an amount sufficient to eliminate such deficiency (after giving effect to any cash collateral provided by the Defaulting Lender);

(ii) Application. Notwithstanding anything to the contrary contained in this Agreement, cash collateral provided under this Section 2.08(k) or Section 2.09 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of LC Exposure (including, as to cash collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the cash collateral was so provided, prior to any other application of such property as may otherwise be provided for herein;

(iii) Termination of Requirement. Cash collateral (or the appropriate portion thereof) provided to reduce the Issuing Bank's Fronting Exposure shall no longer be required to be held as cash collateral pursuant to this Section 2.08(k) following (A) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (B) the determination by the Administrative Agent and the Issuing Bank that there exists excess cash collateral; provided that, subject to Section 2.09, (x) the Issuing Bank may determine in its sole discretion that cash collateral provided by a Defaulting Lender shall be held to support future anticipated Fronting Exposure or other obligations of such Defaulting Lender and (y) the Borrower and the Issuing Bank may agree that cash collateral provided by the Borrower shall be held to support future anticipated Fronting Exposure or other obligations; and provided further that to the extent that such cash collateral was provided by the Borrower, such cash collateral shall remain subject to the security interest granted pursuant to the Loan Documents.

(l) LC Exposure Determination. For all purposes of this Agreement, the amount of a Letter of Credit that, by its terms or the terms of any document related thereto, provides for one or more automatic increases in the stated amount thereof shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at the time of determination.

(m) Applicability of ISP. Unless otherwise expressly agreed by the Issuing Bank and the Borrower when a Letter of Credit is issued, the rules of the International Standby Practices shall apply to each Letter of Credit.

Section 2.09 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definitions of "Required Lenders".

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article X or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Bank hereunder; *third*, to cash collateralize the Issuing Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.08(k); *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuing Bank's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.08(k); *sixth*, to the payment of any amounts owing to the Lenders or the Issuing Bank as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuing Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans or LC Exposure in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 6.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and Letter of Credit obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Exposure owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in LC Exposure are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 2.09(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section 2.09(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any commitment fee pursuant to Section 3.05(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive fees pursuant to Section 3.05(b) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided cash collateral pursuant to Section 2.08(k).

(C) With respect to any fee pursuant to Section 3.05(b) not required to be paid to any Defaulting Lender pursuant to clause (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letter of Credit obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to the Issuing Bank the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Issuing Bank's Fronting Exposure to such Defaulting Lender and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in LC Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Maximum Credit Amount) but only to the extent that (x) the conditions set forth in Section 6.02 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment then in effect. Subject to Section 12.18, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, cash collateralize the Issuing Bank's Fronting Exposure in accordance with the procedures set forth in Section 2.08(k).

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to Section 2.09(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender;

provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Letters of Credit. So long as any Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

### ARTICLE III PAYMENTS OF PRINCIPAL AND INTEREST; PREPAYMENTS; FEES

Section 3.01 Repayment of Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Termination Date.

Section 3.02 Interest.

(a) ABR Loans. The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(b) SOFR Loans. The Loans comprising each SOFR Borrowing shall bear interest at Adjusted Term SOFR for the Interest Period in effect for such Borrowing plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(c) Post-Default and Post-Borrowing Base Deficiency Rate. Notwithstanding the foregoing, (i) upon the occurrence and during the continuance of any Event of Default of the type described in Section 10.01(a), Section 10.01(b), Section 10.01(h), Section 10.01(i) or Section 10.01(j), all outstanding principal, fees and other obligations under any Loan Document shall automatically bear interest at a rate per annum of two percent (2%) plus the rate applicable to ABR Loans as provided in Section 3.02(a) (including the Applicable Margin), but in no event to exceed the Highest Lawful Rate, and shall be payable on demand by the Administrative Agent and (ii) upon the occurrence and during the continuance of any Borrowing Base Deficiency or Event of Default (other than an Event of Default described in Section 10.01(a), Section 10.01(b), Section 10.01(h), Section 10.01(i) or Section 10.01(j)), at the election of the Required Lenders (or the Administrative Agent at the direction of Required Lenders), all outstanding principal, fees and other obligations under any Loan Document shall bear interest at a rate per annum of two percent (2%) plus the rate applicable to ABR Loans as provided in Section 3.02(a) (including the Applicable Margin), but in no event to exceed the Highest Lawful Rate, and shall be payable on demand by the Administrative Agent.

(d) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and on the Termination Date; *provided* that (i) interest accrued pursuant to Section 3.02(c) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than an optional prepayment of an ABR Loan prior to the Termination Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any SOFR Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.



(e) Interest Rate Computations. All interest hereunder shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted Term SOFR shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error, and be binding upon the parties hereto.

(f) Term SOFR Conforming Changes. In connection with the use or administration of Term SOFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of the effectiveness of any Conforming Changes in connection with the use or administration of Term SOFR.

### Section 3.03 Alternate Rate of Interest.

(a) Circumstances Affecting Benchmark Availability. Subject to clause (c) below, in connection with any request for a SOFR Loan or a conversion to or continuation thereof or otherwise, if for any reason (i) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that reasonable and adequate means do not exist for ascertaining Adjusted Term SOFR for the applicable Interest Period with respect to a proposed SOFR Loan on or prior to the first day of such Interest Period or (ii) the Required Lenders shall determine (which determination shall be conclusive and binding absent manifest error) that Adjusted Term SOFR does not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans during such Interest Period, then, in each case, the Administrative Agent shall promptly give notice thereof to the Borrower. Upon notice thereof by the Administrative Agent to the Borrower, any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to or continue any Loan as a SOFR Loan, shall be suspended (to the extent of the affected SOFR Loans or the affected Interest Periods) until the Administrative Agent (with respect to clause (ii), at the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans (to the extent of the affected SOFR Loans or the affected Interest Periods) or, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to ABR Loans in the amount specified therein and (B) any outstanding affected SOFR Loans will be deemed to have been converted into ABR Loans at the end of the applicable Interest Period. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 5.02.

(b) Laws Affecting SOFR Availability. If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective lending offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective lending offices) to honor its obligations hereunder to make or maintain any SOFR Loan, or to determine or charge interest based upon SOFR, the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to a SOFR Loan or continue any Loan as a SOFR Loan, shall be suspended and (ii) if necessary to avoid such illegality, the Administrative Agent shall compute the Alternate Base Rate without reference to clause (c) of the definition of "Alternate Base Rate", in each case until each such affected Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, if necessary to avoid such illegality, upon demand from any Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all SOFR Loans to ABR Loans (in each case, if necessary to avoid such illegality, the Administrative Agent shall compute the Alternate Base Rate without reference to clause (c) of the definition of "Alternate Base Rate"), on the last day of the Interest Period therefor, if all affected Lenders may lawfully continue to maintain such SOFR Loans, to such day, or immediately, if any Lender may not lawfully continue to maintain such SOFR Loans to such day. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 5.02.

(c) Benchmark Replacement Setting.

(i) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document (and any Swap Agreement shall be deemed not to be a "Loan Document" for purposes of this Section 3.03(c)), upon the occurrence of a Benchmark Transition Event, the Administrative Agent and the Borrower may amend this Agreement to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all affected Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Section 3.03(c)(i) will occur prior to the applicable Benchmark Transition Start Date.

(ii) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iii) Notices: Standards for Decisions and Determinations The Administrative Agent will promptly notify the Borrower and the Lenders of (A) the implementation of any Benchmark Replacement and (B) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Administrative Agent will promptly notify the Borrower of the removal or reinstatement of any tenor of a Benchmark pursuant to Section 3.03(c)(iv). Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 3.03(c), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 3.03(c).

(iv) Unavailability of Tenor of Benchmark Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (A) if the then-current Benchmark is a term rate (including the Term SOFR Reference Rate) and either (1) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (2) the administrator of such Benchmark or the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks, then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable, non-representative, non-compliant or non-aligned tenor and (B) if a tenor that was removed pursuant to clause (A) above either (1) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (2) is not, or is no longer, subject to an announcement that it is not or will not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(v) Benchmark Unavailability Period Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to ABR Loans and (B) any outstanding affected SOFR Loans will be deemed to have been converted to ABR Loans at the end of the applicable Interest Period. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Alternate Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Alternate Base Rate.

Section 3.04 Prepayments.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with Section 3.04(b).

(b) Notice and Terms of Optional Prepayment. The Borrower shall notify the Administrative Agent by telephone (confirmed by fax or other communication in writing acceptable to the Administrative Agent) of any prepayment hereunder (i) in the case of prepayment of a SFOR Borrowing, not later than 12:00 noon, Denver, Colorado time, three (3) U.S. Government Securities Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 12:00 noon, Denver, Colorado time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; *provided* that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.06(b), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.06(b). Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied as directed by the Borrower ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.02.

(c) Mandatory Prepayments.

(i) If, after giving effect to any termination or reduction of the Aggregate Maximum Credit Amounts pursuant to Section 2.06(b) or any reduction in the Aggregate Elected Commitment Amounts pursuant to Section 2.06(c), the total Revolving Credit Exposures exceeds the total Commitments, then the Borrower shall (A) prepay the Borrowings on the date of such termination or reduction in an aggregate principal amount equal to such excess, and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(j).

(ii) Upon any redetermination of or adjustment to the amount of the Borrowing Base in accordance with Section 2.07(d) or Section 8.13(c), if a Borrowing Base Deficiency shall result therefrom, then the Borrower shall eliminate such Borrowing Base Deficiency by electing to (w) make such prepayment and/or deposit of cash collateral in an aggregate principal amount equal to such Borrowing Base Deficiency within thirty (30) days after the Borrower's receipt of notice of the redetermined or adjusted Borrowing Base, (x) repay such Borrowing Base Deficiency in six (6) equal and consecutive monthly installments, the first installment being due and payable thirty (30) days after the Borrower's receipt of notice of the redetermined or adjusted Borrowing Base, and each subsequent installment being due and payable

on the same day in each of the five (5) subsequent calendar months, (y) provide additional Oil and Gas Properties or other collateral acceptable to each of the Lenders in their sole discretion (together with title information with respect thereto acceptable to the Administrative Agent) sufficient to increase the Borrowing Base by an amount at least equal to such Borrowing Base Deficiency within thirty (30) days after the Borrower's receipt of notice of the redetermined or adjusted Borrowing Base; or (z) effect any combination of the foregoing clauses (w), (x) and (y) in amounts necessary to eliminate such Borrowing Base Deficiency; *provided* that all payments required to be made pursuant to this Section 3.04(c)(ii) must be made on or prior to the Termination Date. The Borrower shall make such election in writing to the Administrative Agent within thirty (30) days after the Borrower's receipt of notice of the redetermined or adjusted Borrowing Base. If a Borrowing Base Deficiency remains after prepaying all of the Borrowings as a result of an LC Exposure, the Borrower shall pay to the Administrative Agent on behalf of the Lenders an amount equal to such Borrowing Base Deficiency to be held as cash collateral as provided in Section 2.08(j).

(iii) Upon any adjustments to the Borrowing Base pursuant to Section 2.07(e) or Section 2.07(f) if a Borrowing Base Deficiency shall result therefrom, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such Borrowing Base Deficiency, and (B) if any Borrowing Base Deficiency remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such Borrowing Base Deficiency to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make the foregoing prepayment and/or deposit of cash collateral prior to or contemporaneously with the closing date of the applicable disposition, Liquidation.

(iv) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied, first, ratably to any ABR Borrowings then outstanding, and, second, to any SOFR Borrowings then outstanding, and if more than one SOFR Borrowing is then outstanding, to each such SOFR Borrowing in order of priority beginning with the SOFR Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the SOFR Borrowing with the most number of days remaining in the Interest Period applicable thereto.

(v) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied ratably to the Loans included in the prepaid Borrowings. Prepayments pursuant to this Section 3.04(c) shall be accompanied by accrued interest to the extent required by Section 3.02.

(d) No Premium or Penalty. Prepayments permitted or required under this Section 3.04 shall be without premium or penalty, except as required under Section 5.02.

(e) Mandatory Prepayment with Excess Cash. If, on any Business Day, the Credit Parties have Excess Cash as of the end of such Business Day, the Borrower shall prepay Borrowings on the immediately following Business Day, which prepayment shall be in an amount equal to the amount of such Excess Cash as of the end of such immediately preceding Business Day, and, if any Excess Cash remains after the Borrowings are fully prepaid, the Borrower shall pay to the Administrative Agent on behalf of the Lenders an amount equal to the lesser of such remaining Excess Cash and the amount of LC Exposure to be held as cash collateral as provided

in Section 2.08(j). Each prepayment of Borrowings pursuant to this Section 3.04(e) shall be applied, first, ratably to any ABR Borrowings then outstanding, and, second, to any SOFR Borrowings then outstanding, and if more than one SOFR Borrowing is then outstanding, to each such SOFR Borrowing in order of priority beginning with the SOFR Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the SOFR Borrowing with the most number of days remaining in the Interest Period applicable thereto. Each prepayment of Borrowings pursuant to this Section 3.04(e) shall be applied ratably to the Loans included in the prepaid Borrowings. Prepayments pursuant to this Section 3.04(e) shall be accompanied by accrued interest to the extent required by Section 3.02.

Section 3.05 Fees.

(a) Commitment Fees. Except as otherwise provided in Section 2.09(a)(iii), the Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the applicable Commitment Fee Rate on the average daily amount of the unused amount of the Commitment of such Lender during the period from and including the date of this Agreement to but excluding the Termination Date (it being understood that LC Exposure shall constitute usage of the Commitments for purposes of this Section 3.05(a)). Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the Termination Date, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case commitment fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Letter of Credit Fees. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Margin used to determine the interest rate applicable to SOFR Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date of this Agreement to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date of this Agreement to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, *provided* that in no event shall such fee be less than \$500 during any quarter, and (iii) to the Issuing Bank, for its own account, its standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the date of this Agreement; *provided* that all such fees shall be payable on the Termination Date and any such fees accruing after the Termination Date shall be payable on demand. During the continuation of an Event of Default, the fees payable pursuant to this Section 3.05(b) shall increase by 2.00% per annum over the then-applicable rate. Any other fees payable to the Issuing Bank pursuant to this Section 3.05(b) shall be payable within 10 days after demand. All participation fees and fronting

fees shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case participation and fronting fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Administrative Agent Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent in the Fee Letter.

(d) Borrowing Base Increase Fees. The Borrower agrees to pay to the Administrative Agent, for the account of each Lender then party to this Agreement, a Borrowing Base increase fee in an amount to be set forth in a separate written agreement on the amount of any increase of the Borrowing Base, payable on the effective date of any such increase to the Borrowing Base.

#### **ARTICLE IV Payments; Pro Rata Treatment; Sharing of Set-offs**

##### Section 4.01 Payments Generally; Pro Rata Treatment; Sharing of Set-offs

(a) Payments by the Borrower. The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 5.01, Section 5.02, Section 5.03 or otherwise) prior to 12:00 noon, Denver, Colorado time, on the date when due, in immediately available funds, without defense, deduction, recoupment, set-off or counterclaim. Fees, once paid, shall be fully earned and shall not be refundable under any circumstances. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices specified in Section 12.01, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Section 5.01, Section 5.02, Section 5.03 and Section 12.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) Application of Insufficient Payments. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, then, subject to Section 10.02(c), such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) Sharing of Payments by Lenders. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 4.01(c) shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section 4.01(c) shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 4.02 Presumption of Payment by the Borrower. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 4.03 Certain Deductions by the Administrative Agent. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(a), Section 2.08(d), Section 2.08(e) or Section 4.02, or otherwise hereunder, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid. After acceleration or maturity of the Loans, all principal will be paid ratably as provided in Section 10.02(c).



Section 4.04 Disposition of Proceeds. The Security Instruments contain an assignment by the Borrower and/or the Guarantors unto and in favor of the Administrative Agent for the benefit of the Secured Parties of all of the Borrower's or each Guarantor's interest in and to production and all proceeds attributable thereto which may be produced from or allocated to the Mortgaged Property. The Security Instruments further provide in general for the application of such proceeds to the satisfaction of the Indebtedness and other obligations described therein and secured thereby. Notwithstanding the assignment contained in such Security Instruments, until the occurrence of an Event of Default, (a) the Administrative Agent and the Lenders agree that they will neither notify the purchaser or purchasers of such production nor take any other action to cause such proceeds to be remitted to the Administrative Agent or the Lenders, but the Lenders will instead permit such proceeds to be paid to the Borrower and its Subsidiaries and (b) the Lenders hereby authorize the Administrative Agent to take such actions as may be necessary to cause such proceeds to be paid to the Borrower and/or such Subsidiaries.

**ARTICLE V  
INCREASED COSTS; BREAK FUNDING PAYMENTS; TAXES; ILLEGALITY**

Section 5.01 Increased Costs.

(a) Changes in Law. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or the Issuing Bank;

(ii) subject any Lender or the Issuing Bank to any Taxes (other than (A) Indemnified Taxes, or (B) Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the Issuing Bank any other condition affecting this Agreement or SOFR Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any SOFR Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or liquidity or on the capital or liquidity of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing

Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) Certificates. A reasonably detailed certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in Section 5.01(a) or (b) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Effect of Failure or Delay in Requesting Compensation. Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; *provided* that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section 5.01 for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; *provided* further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270- day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 5.02 Break Funding Payments. In the event of (a) the payment of any principal of any SOFR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any SOFR Loan into an ABR Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert or continue any SOFR Loan on the date specified in any notice delivered pursuant hereto, or (d) the assignment of any SOFR Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 5.04(b), then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 5.02 shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

#### Section 5.03 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower or any Guarantor under any Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; *provided* that if the Borrower or any Guarantor shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.03(a)), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or such Guarantor shall make such deductions and (iii) the Borrower or such Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. The Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes payable or paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5.03) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate of the Administrative Agent, a Lender or the Issuing Bank as to the amount of such payment or liability under this Section 5.03 shall be delivered to the Borrower and shall be conclusive absent manifest error.

(d) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower or a Guarantor to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document shall deliver to the Withholding Agent, at the time or times reasonably requested by the Withholding Agent, such properly completed and executed documentation reasonably requested by the Withholding Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender shall deliver such other documentation prescribed by applicable law or reasonably requested by the Withholding Agent as will enable the Withholding Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 5.03(f)(ii)(A) and (ii)(B) and Section 5.03(g) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a "United States person" as defined in Section 7701(a)(30) of the Code,

(A) any Lender that is a "United States person" as defined in Section 7701(a)(30) of the Code shall deliver to the Withholding Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Withholding Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Withholding Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Withholding Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit H-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECL, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-2 or Exhibit H-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit H-4 on behalf of each such direct and indirect partner; and

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Withholding Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Withholding Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Withholding Agent to determine the withholding or deduction required to be made.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Withholding Agent in writing of its legal inability to do so.

(g) FATCA. If a payment made to a Lender under this Agreement would be subject to United States federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 5.03(g), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Section 5.04 Mitigation Obligations: Replacement of Lenders.

(a) Designation of Different Lending Office. If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or Section 5.03, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If (i) any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, (ii) any Lender becomes a Defaulting Lender hereunder, (iii) any Lender provides a notice pursuant to Section 3.03(b) or (iv) any Lender becomes a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 12.04(b)), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (A) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (B) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (C) in the case of any such assignment resulting from a claim for compensation under Section 5.01 or payments required to be made pursuant to Section 5.03, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Notwithstanding the foregoing, a Lender shall not be required to make any such assignment and delegation if such Lender is a Secured Swap Provider with any outstanding Swap Agreements with any Credit Party (to the extent obligations under such Swap Agreements constitute Indebtedness), unless on or prior thereto, all such Swap Agreements have been terminated or novated to another Person and such Lender (or its Affiliate) shall have received payment of all amounts, if any, payable to it in connection with such termination or novation.

**ARTICLE VI  
CONDITIONS PRECEDENT**

Section 6.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit (excluding the Existing Letters of Credit) hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02):

(a) The Administrative Agent, the Arrangers, the Documentation Agent and the Lenders shall have received all commitment, facility and agency fees and all other fees and amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder (including the fees and expenses of Vinson & Elkins L.L.P., counsel to the Administrative Agent).

(b) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of the Borrower and each Guarantor setting forth (i) resolutions of its board of directors (or comparable governing body) with respect to the authorization of the Borrower or such Guarantor to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of the Borrower or such Guarantor (y) who are authorized to sign the Loan Documents to which the Borrower or such Guarantor is a party and (z) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (iii) specimen signatures of such authorized officers, and (iv) the articles or certificate of incorporation and bylaws (or comparable organizational documents for any Credit Parties that are not corporations) of the Borrower and such Guarantor, certified as being true and complete. The Administrative Agent and the Lenders may conclusively rely on such certificate until the Administrative Agent receives notice in writing from the Borrower to the contrary.

(c) The Administrative Agent shall have received certificates of the appropriate State agencies with respect to the existence, qualification and good standing of the Borrower and each Guarantor.

(d) The Administrative Agent shall have received from each party hereto counterparts (in such number as may be requested by the Administrative Agent) of this Agreement signed on behalf of such party.

(e) The Administrative Agent shall have received duly executed Notes payable to each Lender requesting a Note in a principal amount equal to its Maximum Credit Amount dated as of the date hereof.

(f) The Administrative Agent shall have received from each party thereto duly executed counterparts (in such number as may be requested by the Administrative Agent) of the Security Instruments, including the Guarantee and Collateral Agreement, the mortgages and the other Security Instruments described on Exhibit E. In connection with the execution and delivery of the Security Instruments, the Administrative Agent shall:

(i) be reasonably satisfied that the Security Instruments create first priority, perfected Liens (subject only to Excepted Liens identified in clauses (a) to (d) and (f) of the definition thereof, but subject to the provisos at the end of such definition) on at least 85% of the total value of the Oil and Gas Properties evaluated in the Initial Reserve Report and on all other Property purported to be pledged as collateral pursuant to the Security Instruments; and

(ii) to the extent applicable, have received certificates, together with undated, blank stock powers for each such certificate, representing all of the issued and outstanding Equity Interests of each of the Guarantors.

(g) The Administrative Agent shall have received an opinion of Beatty & Wozniak, P.C., special counsel to the Borrower, in form and substance acceptable to the Administrative Agent and its counsel.

(h) The Administrative Agent shall have received a certificate of insurance coverage of the Credit Parties evidencing that the Credit Parties are carrying insurance in accordance with Section 7.12.

(i) The Administrative Agent shall have received title information as the Administrative Agent may reasonably require satisfactory to the Administrative Agent setting forth the status of title to at least 85% of the total value of the Oil and Gas Properties evaluated in the Initial Reserve Report.

(j) The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Borrower and its Subsidiaries.

(k) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower certifying that (i) the Borrower has received all consents and approvals required by Section 7.03 and (ii) attached thereto is a true and correct copy of the Services Agreement, including all amendments thereto in effect as of the Effective Date.

(l) The Administrative Agent shall have received the Financial Statements and the Initial Reserve Report accompanied by a certificate covering the matters described in Section 8.12(c).

(m) The Administrative Agent shall have received appropriate UCC search certificates and county-level real property record search results reflecting no prior Liens encumbering the Properties of the Borrower and its Subsidiaries for each jurisdiction requested by the Administrative Agent; other than those being assigned or released on or prior to the Effective Date or Liens permitted by Section 9.03.

(n) The Administrative Agent shall have received, and satisfactorily completed its review of, all due diligence information regarding the Credit Parties as it shall have requested including information regarding litigation, tax matters, accounting matters, insurance matters, labor matters, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership, contingent liabilities and other legal matters of the Borrower and its Subsidiaries.

(o) The capitalization structure and equity ownership of each Credit Party after giving effect to the Transactions shall be satisfactory to the Administrative Agent in all respects.

(p) The Administrative Agent shall have received from the Credit Parties, to the extent requested by the Lenders or the Administrative Agent, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act, and the Borrower shall have delivered to the Administrative Agent, if requested, and directly to any Lender requesting the same, a Beneficial Ownership Certification in relation to it.



(q) The Administrative Agent shall have received such other documents as the Administrative Agent or special counsel to the Administrative Agent may reasonably request.

Without limiting the generality of the provisions of Section 11.04, for purposes of determining compliance with the conditions specified in this Section 6.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required under this Section 6.01 to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Effective Date specifying its objection thereto. All documents executed or submitted pursuant to this Section 6.01 by and on behalf of the Borrower or any of its Subsidiaries shall be in form and substance satisfactory to the Administrative Agent and its counsel. The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

Section 6.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (including the initial funding), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Borrowing Base Deficiency shall have occurred and be continuing.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no event, development or circumstance has occurred or shall then exist that has resulted in, or could reasonably be expected to have, a Material Adverse Effect.

(c) The representations and warranties of the Borrower and the Guarantors set forth in this Agreement and in the other Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, such representations and warranties shall continue to be true and correct as of such specified earlier date.

(d) The making of such Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, would not conflict with, or cause any Lender or the Issuing Bank to violate or exceed, any applicable Governmental Requirement, and no litigation shall be pending or threatened, which does or, with respect to any threatened litigation, seeks to, enjoin, prohibit or restrain, the making or repayment of any Loan, the issuance, amendment, renewal, extension or repayment of any Letter of Credit or any participations therein or the consummation of the transactions contemplated by this Agreement or any other Loan Document.

(e) The receipt by the Administrative Agent of a Borrowing Request in accordance with Section 2.03 or a request for a Letter of Credit (or an amendment, extension or renewal of a Letter of Credit) in accordance with Section 2.08(b), as applicable.

(f) At the time of and immediately after giving effect to such Borrowing or to the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Excess Cash shall exist.

Each request for a Borrowing and each request for the issuance, amendment, renewal or extension of any Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in Section 6.02(a), (b), (c) and (f).

## **ARTICLE VII REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Lenders that:

Section 7.01 Organization; Powers. Each of the Borrower and the Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority, and has all material governmental licenses, authorizations, consents and approvals necessary, to own its assets and to carry on its business as now conducted, and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where failure to have such power, authority, licenses, authorizations, consents, approvals and qualifications could not reasonably be expected to have a Material Adverse Effect. No Credit Party is an Affected Financial Institution or a Covered Party.

Section 7.02 Authority; Enforceability. The Transactions are within the Borrower's and each Guarantor's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action (including any action required to be taken by any class of directors of the Borrower or any other Person, whether interested or disinterested, in order to ensure the due authorization of the Transactions). Each Loan Document to which the Borrower and each Guarantor is a party has been duly executed and delivered by the Borrower and such Guarantor and constitutes a legal, valid and binding obligation of the Borrower and such Guarantor, as applicable, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 7.03 Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other third Person (including shareholders or any class of directors, whether interested or disinterested, of the Borrower or any other Person), nor is any such consent, approval, registration, filing or other action necessary for the validity or enforceability of any Loan Document or the consummation of the transactions contemplated thereby, except such as have been obtained or made and are in full force and effect other than (i) the recording and filing of the Security Instruments as required by this Agreement and (ii) those third party approvals or consents which, if not made or obtained, would not cause a Default hereunder, could not reasonably be expected to have a Material Adverse Effect or do not have an adverse effect on the enforceability of the Loan Documents, (b) will not violate any applicable law or regulation or the charter, bylaws or other organizational documents of the Borrower or any Subsidiary or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any Subsidiary or any of their Properties, or give rise to a right thereunder to require any payment to be made by the Borrower or such Subsidiary and (d) will not result in the creation or imposition of any Lien on any Property of the Borrower or any Subsidiary (other than the Liens created by the Loan Documents).

Section 7.04 Financial Condition: No Material Adverse Change.

(a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows as of and for the fiscal year ended November 30, 2021, reported on by Deloitte & Touche LLP, independent public accountants. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP.

(b) Since November 30, 2021, (i) there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect and (ii) the business of the Borrower and its Subsidiaries has been conducted only in the ordinary course consistent with past business practices.

(c) Neither the Borrower nor any Subsidiary has on the date hereof any material Debt (including Disqualified Capital Stock) or any contingent liabilities, off-balance sheet liabilities or partnerships, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the Financial Statements.

Section 7.05 Litigation.

(a) Except as set forth on Schedule 7.05, there are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary (i) not fully covered by insurance (except for normal deductibles) as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, or (ii) that involve any Loan Document or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in Schedule 7.05 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 7.06 Environmental Matters. Except for such matters as set forth on Schedule 7.06 or that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Borrower:

(a) the Borrower and its Subsidiaries and each of their respective Properties and operations thereon are, and within all applicable statute of limitation periods have been, in compliance with all applicable Environmental Laws.

(b) to the extent the Borrower or a Subsidiary is the operator of such Property, the Borrower or such Subsidiary has obtained, and to the extent the Borrower or a Subsidiary is not the operator of such Property, the Borrower or such Subsidiary has used commercially reasonable efforts in light of the Borrower's business model (including the number of its Oil and Gas Properties and the number and reputation of the operators with which the Borrower is contractually engaged or is a co-tenant) to satisfy itself (as reasonably determined by the Borrower in good faith) that the operator of such Property has obtained, all Environmental Permits required for their respective operations and each of their Properties, with all such Environmental Permits being currently in full force and effect, and none of Borrower or its Subsidiaries has received any written notice or otherwise has knowledge that any such existing Environmental Permit will be revoked or that any application for any new Environmental Permit or renewal of any existing Environmental Permit will be protested or denied.

(c) there are no claims, demands, suits, orders, inquiries, or proceedings concerning any violation of, or any liability (including as a potentially responsible party) under, any applicable Environmental Laws that is pending or, to Borrower's knowledge, threatened against the Borrower or any Subsidiary or any of their respective Properties or as a result of any operations at such Properties.

(d) none of the Properties of the Borrower or any Subsidiary contain or have contained any: (i) underground storage tanks; (ii) asbestos-containing materials; (iii) landfills or dumps; (iv) hazardous waste management units as defined pursuant to RCRA or any comparable state law; or (v) sites on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law.

(e) there has been no Release or, to the Borrower's knowledge, threatened Release, of Hazardous Materials at, on, under or from the Borrower's or any Subsidiary's Properties, there are no investigations, remediations, abatements, removals, or monitorings of Hazardous Materials required under applicable Environmental Laws at such Properties and, to the knowledge of the Borrower, none of such Properties are adversely affected by any Release or threatened Release of a Hazardous Material originating or emanating from any other real property.

(f) neither the Borrower nor any Subsidiary has received any written notice asserting an alleged liability or obligation under any applicable Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials at, under, or Released or threatened to be Released from any real properties offsite the Borrower's or any Subsidiary's Properties and, to the Borrower's knowledge, there are no conditions or circumstances that could reasonably be expected to result in the receipt of such written notice.

(g) there has been no exposure of any Person or Property to any Hazardous Materials as a result of or in connection with the operations and businesses of any of the Borrower's or its Subsidiaries' Properties that could reasonably be expected to form the basis for a claim for damages or compensation.

(h) The Borrower and its Subsidiaries have provided to the Lenders complete and correct copies of all environmental site assessment reports, investigations, studies, analyses, and correspondence on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in any of the Borrower's or the Subsidiaries' possession or control and relating to their respective Properties or operations thereon.

Section 7.07 Compliance with the Laws and Agreements; No Defaults or Borrowing Base Deficiency.

(a) Each of the Borrower and each Subsidiary is in compliance with all Governmental Requirements applicable to it or its Property and all agreements and other instruments binding upon it or its Property, and possesses all licenses, permits, franchises, exemptions, approvals and other governmental authorizations necessary for the ownership of its Property and the conduct of its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Borrower nor any Subsidiary is in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default or would require the Borrower or a Subsidiary to Redeem or make any offer to Redeem under any indenture, note, credit agreement or instrument pursuant to which any Material Indebtedness is outstanding or by which the Borrower or any Subsidiary or any of their Properties is bound.

(c) No Default or Borrowing Base Deficiency has occurred and is continuing.

Section 7.08 Investment Company Act. Neither the Borrower nor any Subsidiary is an “investment company” or a company “controlled” by an “investment company,” within the meaning of, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 7.09 Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of Taxes and other governmental charges are, in the reasonable opinion of the Borrower, adequate. No Tax Lien has been filed and, to the knowledge of the Borrower, no claim is being asserted with respect to any such Tax or other such governmental charge.

Section 7.10 ERISA.

(a) The Borrower, its Subsidiaries and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.

(b) Each Plan is, and has been, established and maintained in substantial compliance with its terms, ERISA and, where applicable, the Code.

(c) No act, omission or transaction has occurred which could result in imposition on the Borrower, any Subsidiary or any ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(d) Full payment when due has been made of all amounts which the Borrower, its Subsidiaries or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof.

(e) Neither the Borrower, its Subsidiaries nor any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by the Borrower, a Subsidiary or any ERISA Affiliate in its sole discretion at any time without any material liability.

(f) Neither the Borrower, its Subsidiaries nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, any employee pension benefit plan, as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code.

Section 7.11 Disclosure: No Material Misstatements. The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower or any Subsidiary to the Administrative Agent or any Lender or any of their Affiliates in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to the Borrower or any Subsidiary which could reasonably be expected to have a Material Adverse Effect or in the future is reasonably likely to have a Material Adverse Effect and which has not been set forth in this Agreement or the Loan Documents or the other documents, certificates and statements furnished to the Administrative Agent or the Lenders by or on behalf of the Borrower or any Subsidiary prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no statements or conclusions in any Reserve Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that projections concerning volumes attributable to the Oil and Gas Properties of the Borrower and its Subsidiaries and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and that the Borrower and its Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate. As of the Effective Date, all of the information included in any Beneficial Ownership Certification is true and correct.

Section 7.12 Insurance. The Borrower has, and has caused all of its Subsidiaries to have,

(a) all insurance policies sufficient for the compliance by each of them with all material Governmental Requirements and all material agreements and  
(b) insurance coverage in at least amounts and against such risk (including public liability) that are usually insured against by companies similarly situated and engaged in the same or a similar business for the assets and operations of the Borrower and its Subsidiaries. The Administrative Agent and the Lenders have been named as additional insureds in respect of such liability insurance policies and the Administrative Agent has been named as lender loss payee with respect to Property loss insurance.

Section 7.13 Restriction on Liens. Neither the Borrower nor any of its Subsidiaries is a party to any material agreement or arrangement (other than Capital Leases creating Liens permitted by Section 9.03(c), but then only on the Property subject of such Capital Lease), or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant Liens to the Administrative Agent for the benefit of the Secured Parties on or in respect of their Properties to secure the Indebtedness and the Loan Documents.

Section 7.14 Subsidiaries. Except as set forth on Schedule 7.14 or as disclosed in writing to the Administrative Agent (which shall promptly furnish a copy to the Lenders), which shall be a supplement to Schedule 7.14, the Borrower has no Subsidiaries and the Borrower has no Foreign Subsidiaries. Each Subsidiary on such schedule is a Wholly-Owned Subsidiary.

Section 7.15 Location of Business and Offices. The Borrower's jurisdiction of organization is Delaware; the name of the Borrower as listed in the public records of its jurisdiction of organization is Vitesse Energy, LLC; and the organizational identification number of the Borrower in its jurisdiction of organization is 5524466 (or, in each case, as set forth in a notice delivered to the Administrative Agent pursuant to Section 8.01(l) in accordance with Section 12.01). The Borrower's principal place of business and chief executive offices are located at the address specified in Section 12.01 (or as set forth in a notice delivered pursuant to Section 8.01(l) and Section 12.01(c)). Each Subsidiary's jurisdiction of organization, name as listed in the public records of its jurisdiction of organization, organizational identification number in its jurisdiction of organization, and the location of its principal place of business and chief executive office is stated on Schedule 7.14 (or as set forth in a notice delivered pursuant to Section 8.01(l)).

Section 7.16 Properties; Titles, Etc.

(a) Each of the Borrower and the Subsidiaries has good and defensible title to the Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to all its personal Properties, in each case, free and clear of all Liens except Liens permitted by Section 9.03. After giving full effect to the Excepted Liens, the Borrower or the Subsidiary specified as the owner owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and the ownership of such Properties shall not in any material respect obligate the Borrower or such Subsidiary to bear the costs and expenses relating to the maintenance, development and operations of each such Property in an amount in excess of the working interest of each Property set forth in the most recently delivered Reserve Report that is not offset by a corresponding proportionate increase in the Borrower's or such Subsidiary's net revenue interest in such Property.

(b) All material leases and agreements necessary for the conduct of the business of the Borrower and its Subsidiaries are valid and subsisting, in full force and effect, and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which could reasonably be expected to have a Material Adverse Effect.

(c) The rights and Properties presently owned, leased or licensed by the Borrower and its Subsidiaries including all easements and rights of way, include all rights and Properties necessary to permit the Borrower and its Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the date hereof.

(d) All of the Oil and Gas Properties of the Borrower and its Subsidiaries for which the Borrower or a Subsidiary is the operator and all other Properties of the Borrower and its Subsidiaries (other than Oil and Gas Properties) which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards. The Borrower and its Subsidiaries have used commercially reasonable efforts in light of the Borrower's business model (including the number of its Oil and Gas Properties and the number and reputation of the operators with which the Borrower is contractually engaged or is a co-tenant) to satisfy itself (as reasonably determined by the Borrower in good faith) that their respective non-operated Oil and Gas Properties are in good working condition and are maintained in accordance with prudent operator standards.

(e) The Borrower and each Subsidiary owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property material to its business, and the use thereof by the Borrower and such Subsidiary does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower and its Subsidiaries either own or have valid licenses or other rights to use all databases, geological data, geophysical data, engineering data, seismic data, maps, interpretations and other technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use of the same, which limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 7.17 Maintenance of Properties. Except for such acts or failures to act as could not be reasonably expected to have a Material Adverse Effect, the Oil and Gas Properties (and Properties unitized therewith) of the Borrower and its Subsidiaries have been maintained, operated and developed in a good and workmanlike manner and in conformity with all Governmental Requirements and in conformity with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Borrower and its Subsidiaries. To the extent the Borrower or a Subsidiary is the operator of such Property, the Borrower has ensured that all pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned in whole or in part by the Borrower or any of its Subsidiaries that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations, and in a manner consistent with the Borrower's or its Subsidiaries' past practices (other than those the failure of which to maintain in accordance with this Section 7.17 could not reasonably be expected to have a Material Adverse Effect).



Section 7.18 Gas Imbalances, Prepayments. With respect to Oil and Gas Properties operated by the Borrower or a Subsidiary, except as set forth on Schedule 7.18 or on the most recent certificate delivered pursuant to Section 8.12(c), on a net basis there are no gas imbalances, take or pay or other prepayments which would require the Borrower or any of its Subsidiaries to deliver Hydrocarbons produced from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding one-half bcf of gas (on an mcf equivalent basis) in the aggregate.

Section 7.19 Marketing of Production. With respect to Oil and Gas Properties operated by the Borrower or a Subsidiary, except for contracts listed and in effect on the date hereof on Schedule 7.19, and thereafter either disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report (with respect to all of which contracts the Borrower represents that it or its Subsidiaries are receiving a price for all production sold thereunder which is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Property's delivery capacity), no material agreements exist which are not cancelable on 60 days' notice or less without penalty or detriment for the sale of production from the Borrower's or its Subsidiaries' Hydrocarbons (including calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six (6) months from the date hereof.

Section 7.20 Swap Agreements and Qualified ECP Guarantor. Schedule 7.20, as of the date hereof, and after the date hereof, each report required to be delivered by the Borrower pursuant to Section 8.01(d), sets forth, a true and complete list of all Swap Agreements of the Borrower and each Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied) and the counterparty to each such agreement. The Borrower is a Qualified ECP Guarantor.

Section 7.21 Use of Loans and Letters of Credit. The proceeds of the Loans and the Letters of Credit shall be used to provide working capital for exploration and production operations, for acquisitions of Oil and Gas Properties permitted hereunder and for general corporate purposes. The Borrower and its Subsidiaries are not engaged principally, or as one of its or their important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board). No part of the proceeds of any Loan or Letter of Credit will be used for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.22 Solvency. After giving effect to the transactions contemplated hereby (including each Borrowing hereunder and each issuance or extension of any Letter of Credit), (a) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Borrower and the Guarantors, taken as a whole, will exceed the aggregate Debt of the Borrower and the Guarantors on a consolidated basis, as the Debt becomes absolute and matures, (b) each of the

Borrower and the Guarantors will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by each of the Borrower and the Guarantors and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures and (c) each of the Borrower and the Guarantors will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business.

Section 7.23 Anti-Corruption Laws and Sanctions. The Borrower has implemented and maintains in effect such policies and procedures, if any, as it deems appropriate using reasonable judgment in light of its business and operations (including any international operations), designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of the Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower, any Subsidiary or to the knowledge of the Borrower or such Subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds or other transaction contemplated by the Credit Agreement will violate Anti-Corruption Laws or applicable Sanctions. The Borrower and each of its Subsidiaries is in compliance in all material respects with the USA Patriot Act.

Section 7.24 EEA Financial Institutions. No Credit Party is an EEA Financial Institution.

## ARTICLE VIII AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 8.01 Financial Statements; Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) Annual Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than ninety (90) days after the end of each fiscal year of the Borrower commencing with the fiscal year ending November 30, 2022, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial

condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied. For the avoidance of doubt, each balance sheet delivered pursuant to this Section 8.01(a) shall include a separate line item setting forth the equity value, if any, of the Management Incentive Units (which value shall be deemed to be the amount of Debt in respect of such Disqualified Capital Stock for purposes of [Section 9.01](#)).

(b) Quarterly Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than sixty (60) days after the end of each of the first three fiscal quarters of the fiscal year of the Borrower, commencing with the fiscal quarter ending February 28, 2022, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes. For the avoidance of doubt, each balance sheet delivered pursuant to this Section 8.01(b) shall include a separate line item setting forth the equity value, if any, of the Management Incentive Units (which value shall be deemed to be the amount of Debt in respect of such Disqualified Capital Stock for purposes of [Section 9.01](#)).

(c) Certificate of Financial Officer -- Compliance. Concurrently with any delivery of financial statements under Section 8.01(a) and, with respect to the first three fiscal quarters of each fiscal year, under Section 8.01(b), a certificate of a Financial Officer in substantially the form of Exhibit D hereto (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 9.01 and (iii) stating whether any change in GAAP or in the application thereof has occurred since November 30, 2021, and if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

(d) Certificate of Financial Officer -- Swap Agreements. Concurrently with any delivery of financial statements under Section 8.01(a) and, with respect to the first three fiscal quarters of each fiscal year, under Section 8.01(b), a certificate of a Financial Officer, in form and substance satisfactory to the Administrative Agent, certifying that the Borrower is in compliance with Section 8.19 (including reasonably detailed calculations demonstrating such compliance), and setting forth as of a recent date, a true and complete list of all Swap Agreements of the Borrower and each Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark-to-market value therefor, any new credit support agreements relating thereto not listed on Schedule 7.20, any margin required or supplied under any credit support document, and the counterparty to each such agreement.

(e) Certificate of Insurer -- Insurance Coverage. Concurrently with any delivery of financial statements under Section 8.01(a), a certificate of insurance coverage from each insurer with respect to the insurance required by Section 8.07, in form and substance satisfactory to the Administrative Agent, and, if requested by the Administrative Agent or any Lender, all copies of the applicable policies.

(f) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to the Borrower or any of its Subsidiaries by independent accountants in connection with any annual, interim or special audit made by them of the books of the Borrower or any such Subsidiary, and a copy of any response by the Borrower or any such Subsidiary, or the board of directors (or comparable governing body) of the Borrower or any such Subsidiary, to such letter or report.

(g) SEC and Other Filings; Reports to Shareholders. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the SEC, or with any national securities exchange, or distributed by the Borrower to its equityholders generally, as the case may be.

(h) Notices Under Material Instruments. Promptly after the furnishing thereof, copies of any financial statement, report or notice furnished to or by any Person pursuant to the terms of any preferred stock designation, indenture, loan or credit or other similar agreement, other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(i) Lists of Purchasers. Promptly following the written request of the Administrative Agent, a list of all Persons purchasing Hydrocarbons from any Oil and Gas Properties operated by the Borrower or any Subsidiary.

(j) Notice of Sales of Oil and Gas Properties. In the event the Borrower or any Subsidiary (i) intends to sell, transfer, assign or otherwise dispose of any Oil and Gas Properties or any Equity Interests in any Subsidiary, in each case with consideration in excess of \$2,500,000 or which would otherwise result in a Borrowing Base reduction pursuant to Section 9.12(d)(iv) or (ii) receives any notice of early termination of any Swap Agreement to which it is a party from any of its counterparties, or intends to Liquidate any Swap Agreement to which the Borrower or any Subsidiary is a party with a positive (from the standpoint of the Credit Parties) Swap Termination Value in excess of \$2,500,000 or which would otherwise result in a Borrowing Base reduction pursuant to Section 9.12(d)(iv), at least five Business Days' prior notice of such disposition or such Liquidation (or in the case of a notice of early termination, prompt notice after receipt thereof), together with (A) the price and/or proceeds thereof, (B) the anticipated date of closing, (C) to the extent such transaction does not result in a Borrowing Base reduction pursuant to Section 9.12(d)(iv), a calculation setting forth the cumulative fair market value of Oil and Gas Properties disposed of and positive (from the standpoint of the Credit Parties) Swap Termination Value of Swap Agreements Liquidated, in each case since the last Scheduled Redetermination Date and (D) any other details thereof requested by the Administrative Agent or any Lender.

(k) Notice of Casualty Events. Prompt written notice, and in any event within three Business Days, of the occurrence of any Casualty Event or the commencement of any action or proceeding that could reasonably be expected to result in a Casualty Event, in each case with respect to any Property of the Borrower or any of its Subsidiaries having a fair market value in excess of \$1,000,000.

(l) Information Regarding Borrower and Guarantors. Prompt written notice (and in any event within thirty (30) days prior thereto, or such shorter time as the Administrative Agent may agree to in its sole discretion) of any change (i) in the Borrower or any Guarantor's corporate name or in any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties, (ii) in the location of the Borrower or any Guarantor's chief executive office or principal place of business, (iii) in the Borrower or any Guarantor's identity or corporate structure or in the jurisdiction in which such Person is incorporated or formed, (iv) in the Borrower or any Guarantor's organizational identification number in such jurisdiction of organization, and (v) in the Borrower or any Guarantor's federal taxpayer identification number.

(m) Production Report and Lease Operating Statements. Within sixty (60) days after the end of each fiscal quarter, a report setting forth, for each calendar month during the then current fiscal year to date, the volume of production and sales attributable to production (and the prices at which such sales were made and the revenues derived from such sales) for each such calendar month from the Oil and Gas Properties, and setting forth the related ad valorem, severance and production taxes and lease operating expenses attributable thereto and incurred for each such calendar month.

(n) Notices of Certain Changes. Promptly, but in any event within five (5) Business Days after the execution thereof, copies of any amendment, modification or supplement to the certificate or articles of incorporation, bylaws, certificate or articles of organization, regulations, any preferred stock designation or any other organic document of the Borrower or any Subsidiary.

(o) Annual Budget. Concurrently with the delivery of each Reserve Report hereunder, an operating budget for the Borrower and the Subsidiaries for the next 12 months, including reasonable detail regarding the (i) Borrower's and the Subsidiaries' planned drilling activities during such 12-month period, (ii) projected monthly production of Hydrocarbons by the Borrower and the Subsidiaries, (iii) assumptions used in calculating such projections, (iv) projected capital expenditures to be incurred by the Borrower and the Subsidiaries during such 12-month period, and (v) such other information as may be reasonably requested by the Administrative Agent; it being understood that projections concerning volumes attributable to the Oil and Gas Properties of the Borrower and its Subsidiaries and production and cost estimates contained in such budgets and projections are necessarily based upon professional opinions, estimates and projections and that the Borrower and its Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

(p) Other Requested Information. Promptly following any reasonable request therefor, (i) such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary (including any Plan and any reports or other information required to be filed with respect thereto under the Code or under ERISA), or compliance with the terms of this Agreement or any other Loan Document, as the Administrative Agent (or any Lender which has requested through the Administrative Agent) may reasonably request; or (ii) information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" requirements under the Beneficial Ownership Regulation or the USA Patriot Act or other applicable anti-money laundering laws.

(q) [Reserved].

(r) Certificate Regarding Free Cash Flow. Concurrently with the delivery of financial statements under Section 8.01(b) and within 60 days after the end of each fiscal year, a certificate of a Financial Officer (i) setting forth reasonably detailed calculations of Free Cash Flow for the Rolling Period then ending (including, with respect to each fiscal quarter ending November 30 of each year, unaudited financial statements necessary to support such calculations), and (ii) certifying as to (and specifying in reasonable detail) the aggregate amount of all Restricted Payments made in reliance on Section 9.04(e) and Section 9.04(g) during the period of three consecutive Free Cash Flow Usage Periods that is ending with the delivery of such certificate.

Section 8.02 Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt (and in any event within three Business Days) written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of, or the threat in writing of, any action, suit, proceeding, investigation or arbitration by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof not previously disclosed in writing to the Lenders or any material adverse development in any action, suit, proceeding, investigation or arbitration (whether or not previously disclosed to the Lenders) that, in either case, if adversely determined, could reasonably be expected to result in liability in excess of \$1,000,000, not fully covered by insurance, subject to normal deductibles; and

(c) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 8.02 shall be accompanied by a statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 8.03 Existence; Conduct of Business. The Borrower will, and will cause each Subsidiary to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business and maintain, if necessary, its qualification to do business in each other jurisdiction in which its Oil and Gas Properties are located or the ownership of its Properties requires such qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; *provided* that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 9.11.

Section 8.04 Payment of Obligations. The Borrower will, and will cause each Subsidiary to, pay its obligations, including Tax liabilities of the Borrower and all of its Subsidiaries before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in the seizure or levy of any Property of the Borrower or any Subsidiary.

Section 8.05 Performance of Obligations under Loan Documents. The Borrower will pay the Loans according to the terms hereof, and the Borrower will, and will cause each Subsidiary to, do and perform every act and discharge all of the obligations to be performed and discharged by them under the Loan Documents, including this Agreement, at the time or times and in the manner specified.

Section 8.06 Operation and Maintenance of Properties; Subordination of Affiliated Operators' Liens. With respect to Oil and Gas Properties operated by the Borrower or any Subsidiary, the Borrower, at its own expense, will, and will cause each Subsidiary to:

(a) operate its Oil and Gas Properties and other material Properties or cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all Governmental Requirements, including applicable proration requirements and Environmental Laws, and all applicable laws, rules and regulations of every other Governmental Authority from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals therefrom, except, in each case, where the failure to comply could not reasonably be expected to have a Material Adverse Effect.

(b) maintain and keep in good repair, working order and efficiency (ordinary wear and tear excepted) all of its Oil and Gas Properties and other Properties material to the conduct of its business, including all equipment, machinery and facilities.

(c) promptly pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(d) promptly perform or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties.

(e) cause each Affiliate of the Borrower which operates any of the Borrower's or its Subsidiaries' Oil and Gas Properties to subordinate, pursuant to agreements in form and substance satisfactory to the Administrative Agent, any operators' Liens or other Liens in favor of such Affiliate in respect of such Oil and Gas Properties to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties.

Section 8.07 Insurance. The Borrower will, and will cause each Subsidiary to, maintain, with insurance companies with an AM Best rating of A or better, insurance (a) in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations and (b) in accordance with all Governmental

Requirements. The loss payable clauses or provisions in said insurance policy or policies insuring any of the collateral for the Loans shall be endorsed in favor of and made payable to the Administrative Agent as its interests may appear and such policies shall name the Administrative Agent and the Lenders as “additional insureds” and/or “lender loss payee”, to the extent applicable, and provide that the insurer will endeavor to give at least thirty (30) days prior notice of any cancellation to the Administrative Agent.

Section 8.08 Books and Records; Inspection Rights. The Borrower will, and will cause each Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each Subsidiary to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

Section 8.09 Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

Section 8.10 Environmental Matters.

(a) With respect to Oil and Gas Properties operated by the Borrower or any Subsidiary, the Borrower, at its own expense, will, and will cause each Subsidiary to: (i) comply, and shall cause its Properties and operations and each Subsidiary and each Subsidiary’s Properties and operations to comply, with all applicable Environmental Laws, the breach of which could be reasonably expected to have a Material Adverse Effect; (ii) not Release or threaten to Release, and shall cause each Subsidiary not to Release or threaten to Release, any Hazardous Material on, under, about or from any of the Borrower’s or its Subsidiaries’ Properties or any other property offsite the Property to the extent caused by the Borrower’s or any of its Subsidiaries’ operations except in compliance with applicable Environmental Laws, the Release or threatened Release of which could reasonably be expected to have a Material Adverse Effect; (iii) timely obtain or file, and shall cause each Subsidiary to timely obtain or file, all Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the Borrower’s or its Subsidiaries’ Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; (iv) promptly commence and diligently prosecute to completion, and shall cause each Subsidiary to promptly commence and diligently prosecute to completion, any assessment, evaluation, investigation, monitoring, containment, cleanup, removal, repair, restoration, remediation or other remedial obligations (collectively, the “Remedial Work”) in the event any Remedial Work is required or reasonably necessary under applicable Environmental Laws because of or in connection with the actual or suspected past, present or future Release or threatened Release of any Hazardous Material on, under, about or from any of the Borrower’s or its Subsidiaries’ Properties, which failure to commence and



diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; (v) conduct, and cause its Subsidiaries to conduct, their respective operations and businesses in a manner that will not expose any Property or Person to Hazardous Materials that could reasonably be expected to form the basis for a claim for damages or compensation; and (vi) establish and implement, and shall cause each Subsidiary to establish and implement, such procedures as may be necessary to continuously determine and assure that the Borrower's and its Subsidiaries' obligations under this Section 8.10(a) are timely and fully satisfied, which failure to establish and implement could reasonably be expected to have a Material Adverse Effect.

(b) The Borrower will promptly, but in no event later than five days after the Borrower obtains knowledge thereof, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any threatened demand or lawsuit by any Person against the Borrower or its Subsidiaries or their Properties of which the Borrower has knowledge in connection with any Environmental Laws if the Borrower could reasonably anticipate that such action will result in liability (whether individually or in the aggregate) in excess of \$1,000,000, not fully covered by insurance, subject to normal deductibles.

(c) With respect to Oil and Gas Properties operated by the Borrower or any Subsidiary, the Borrower, at its own expense, will, and will cause each Subsidiary to, provide environmental assessments, audits and tests in accordance with the most current version of the American Society of Testing Materials standards as reasonably requested by the Administrative Agent no more than once per year in the absence of any Event of Default (or as otherwise required to be obtained by the Administrative Agent or the Lenders by any Governmental Authority). With respect to Oil and Gas Properties not operated by the Borrower or any Subsidiary, the Borrower will provide any environmental reports, assessments, audits and tests in its possession, as and when reasonably requested by the Administrative Agent.

#### Section 8.11 Further Assurances.

(a) The Borrower at its sole expense will, and will cause each Subsidiary to, promptly execute and deliver to the Administrative Agent all such other documents, agreements and instruments reasonably requested by the Administrative Agent to comply with, cure any defects or accomplish the conditions precedent, covenants and agreements of the Borrower or any Subsidiary, as the case may be, in the Loan Documents, including the Notes, or to further evidence and more fully describe the collateral intended as security for the Indebtedness, or to correct any omissions in this Agreement or the Security Instruments, or to state more fully the obligations secured therein, or to perfect, protect or preserve any Liens created pursuant to this Agreement or any of the Security Instruments or the priority thereof, or to make any recordings, file any notices or obtain any consents, all as may be reasonably necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith.

(b) The Borrower hereby authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Borrower or any other Guarantor where permitted by law. A carbon, photographic or other reproduction of the Security Instruments or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Borrower acknowledges and agrees that any such financing statement may describe the collateral as "all assets" of the applicable Credit Party or words of similar effect as may be required by the Administrative Agent.

Section 8.12 Reserve Reports.

(a) On or before March 1st and September 1st of each year, commencing September 1, 2022, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report evaluating the Oil and Gas Properties of the Credit Parties that are Qualified ECP Guarantors as of the immediately preceding December 1st and June 1st. The Reserve Report as of December 1 of each year shall be prepared by one or more Approved Petroleum Engineers, and the June 1 Reserve Report of each year shall be prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding December 1 Reserve Report.

(b) In the event of an Interim Redetermination, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding December 1 Reserve Report. For any Interim Redetermination requested by the Administrative Agent or the Borrower pursuant to Section 2.07(b), the Borrower shall provide such Reserve Report with an "as of" date as required by the Administrative Agent as soon as possible, but in any event no later than thirty (30) days following the receipt of such request.

(c) With the delivery of each Reserve Report, the Borrower shall provide to the Administrative Agent and the Lenders a certificate from a Responsible Officer certifying that in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (ii) the Borrower or its Subsidiaries owns good and defensible title to the Oil and Gas Properties evaluated in such Reserve Report and such Properties are free of all Liens except for Excepted Liens and Liens securing the Indebtedness, (iii) except as set forth on an exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments in excess of the volume specified in Section 7.18 with respect to its operated Oil and Gas Properties evaluated in such Reserve Report which would require the Borrower or any Subsidiary to deliver Hydrocarbons either generally or produced from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor, (iv) none of their Oil and Gas Properties have been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all of its Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent, (v) attached to the certificate is a list of all marketing agreements for any Oil and Gas Properties operated by the Borrower or its Subsidiaries entered into subsequent to the later of the date hereof or the most recently delivered Reserve Report which the Borrower could reasonably be expected to have been obligated to list on Schedule 7.19 had such agreement been in effect on the date hereof and (vi) attached thereto is a schedule of the Oil and Gas Properties evaluated by such Reserve Report that are Mortgaged Properties and demonstrating the percentage of the total value of the Oil and Gas Properties evaluated in such Reserve Report that the value of such Mortgaged Properties represent in compliance with Section 8.14(a).

Section 8.13 Title Information.

(a) On or before the delivery to the Administrative Agent and the Lenders of each Reserve Report required by Section 8.12(a), the Borrower will deliver title information in form and substance acceptable to the Administrative Agent covering enough of the Oil and Gas Properties evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Administrative Agent shall have received together with title information previously delivered to the Administrative Agent, satisfactory title information on at least 85% of the total value of the Oil and Gas Properties evaluated by such Reserve Report.

(b) If the Borrower has provided title information for additional Properties under Section 8.13(a), the Borrower shall, within 60 days after notice from the Administrative Agent that title defects or exceptions exist with respect to such additional Properties, either (i) cure any such title defects or exceptions (including defects or exceptions as to priority) which are not permitted by Section 9.03 raised by such information, (ii) substitute acceptable Mortgaged Properties with no title defects or exceptions except for Excepted Liens (other than Excepted Liens described in clauses (e), (g) and (h) of such definition) having an equivalent value or (iii) deliver title information in form and substance acceptable to the Administrative Agent so that the Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, satisfactory title information on at least 85% of the value of the Oil and Gas Properties evaluated by such Reserve Report.

(c) If the Borrower is unable to cure any title defect requested by the Administrative Agent or the Lenders to be cured within the 60-day period or the Borrower does not comply with the requirements to provide acceptable title information covering 85% of the value of the Oil and Gas Properties evaluated in the most recent Reserve Report, such default shall not be a Default, but instead the Administrative Agent and/or the Required Lenders shall have the right to exercise the following remedy in their sole discretion from time to time, and any failure to so exercise this remedy at any time shall not be a waiver as to future exercise of the remedy by the Administrative Agent or the Lenders. To the extent that the Administrative Agent or the Required Lenders are not satisfied with title to any Mortgaged Property after the 60-day period has elapsed, such unacceptable Mortgaged Property shall not count towards the 85% requirement, and the Administrative Agent may send a notice to the Borrower and the Lenders that the then outstanding Borrowing Base shall be reduced by an amount as determined by the Required Lenders to cause the Borrower to be in compliance with the requirement to provide acceptable title information on 85% of the value of the Oil and Gas Properties. This new Borrowing Base shall become effective immediately after receipt of such notice.

Section 8.14 Collateral and Guarantee Agreements.

(a) In connection with each redetermination of the Borrowing Base, the Borrower shall review the Reserve Report and the list of current Mortgaged Properties (as described in Section 8.12(c)(vi)) to ascertain whether the Mortgaged Properties represent at least 85% of the total value of the Oil and Gas Properties evaluated in the most recently completed Reserve Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least 85% of such total value, then the Borrower shall, and shall cause its Subsidiaries to, grant, within

thirty (30) days of delivery of the certificate required under Section 8.12(c), to the Administrative Agent as security for the Indebtedness a first-priority Lien interest (provided that Excepted Liens of the type described in clauses (a) to (d) and (f) of the definition thereof may exist, but subject to the provisos at the end of such definition) on additional Oil and Gas Properties of the Credit Parties that are Qualified ECP Guarantors and which Oil and Gas Properties are not already subject to a Lien of the Security Instruments such that after giving effect thereto, the Mortgaged Properties will represent at least 85% of such total value. All such Liens will be created and perfected by and in accordance with the provisions of deeds of trust, mortgages, security agreements and financing statements or other Security Instruments, all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes. In order to comply with the foregoing, if any Subsidiary places a Lien on its Oil and Gas Properties and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) In the event that the Borrower forms or acquires any Subsidiary, the Borrower shall promptly cause such Subsidiary to guarantee the Indebtedness pursuant to the Guarantee and Collateral Agreement. In connection with any such guarantee, the Borrower shall, or shall cause such Subsidiary to, (A) execute and deliver a supplement to the Guarantee and Collateral Agreement executed by such Subsidiary, (B) pledge all of the Equity Interests of such new Subsidiary (including delivery of original stock certificates evidencing the Equity Interests of such Subsidiary, together with an appropriate undated stock powers for each certificate duly executed in blank by the registered owner thereof) and (C) execute and deliver such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent.

(c) The Borrower will at all times cause the other material tangible and intangible assets of the Borrower and each Subsidiary (including its rights under all Swap Agreements) to be pledged as collateral to secure the Indebtedness pursuant to the Security Instruments.

(d) Upon the request of the Required Lenders, the Borrower and each of its Subsidiaries shall take any actions (in addition to the execution and delivery of the Security Instruments pursuant to the foregoing clause (c)) required, if any, to cause all of its right, title and interest in each Swap Agreement to which it is a party to be collaterally assigned to the Administrative Agent, for the benefit of the Secured Parties, and shall, if requested by the Administrative Agent or the Required Lenders, use its commercially reasonable efforts to cause each such agreement or contract to (i) expressly permit such assignment and (ii) upon the occurrence of any default or event of default under such agreement or contract, (A) to permit the Lenders to cure such default or event of default and assume the obligations of such Credit Party under such agreement or contract and (B) to prohibit the termination of such agreement or contract by the counterparty thereto if the Lenders assume the obligations of such Credit Party under such agreement or contract and the Lenders take the actions required under the foregoing clause (A).

(e) Notwithstanding any provision in any of the Loan Documents to the contrary, in no event is any Building (as defined in the applicable Flood Insurance Regulations) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulations) owned by any Credit Party included in the Mortgaged Property and no Building or Manufactured (Mobile)

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Home shall be encumbered by any Security Instrument; provided, that (A) the applicable Credit Party's interests in all lands and Hydrocarbons situated under any such Building or Manufactured (Mobile) Home shall be included in the Mortgaged Property and shall be encumbered by the Security Instruments and (B) the Borrower shall not, and shall not permit any of its Subsidiaries to, permit to exist any Lien on any Building or Manufactured (Mobile) Home except Excepted Liens.

Section 8.15 ERISA Compliance. The Borrower will promptly furnish and will cause the Subsidiaries and any ERISA Affiliate to promptly furnish to the Administrative Agent (a) promptly after the filing thereof with the United States Secretary of Labor or the Internal Revenue Service, copies of each annual and other report with respect to each Plan or any trust created thereunder, and (b) immediately upon becoming aware of the occurrence of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal Financial Officer of the Borrower, the Subsidiary or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action the Borrower, the Subsidiary or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service or the Department of Labor with respect thereto.

Section 8.16 Dealings with Operators. With respect to Oil and Gas Properties not operated by the Borrower or any Subsidiary, the Borrower shall, and shall cause its Subsidiaries to, use commercially reasonable efforts in light of the Borrower's business model (including the number of its Oil and Gas Properties and number and reputation of operators with which the Borrower is contractually engaged or is a co-tenant) to satisfy itself (as reasonably determined by the Borrower in good faith) that the respective operators of its Oil and Gas Properties (a) act as commercially reasonable and prudent operators with respect to such Oil and Gas Properties and (b) are operating and maintaining the Oil and Gas Properties in compliance with (i) all applicable Governmental Requirements (including Environmental Laws), (ii) all standard industry practices and (iii) all applicable contracts and agreements, except, in each case with respect to this clause (b), as such failure to do so could not reasonably be expected to have a Material Adverse Effect on the Borrower. With respect to such non-operated Properties, to the extent the Borrower or its Subsidiaries shall become aware (or should have become aware after the exercise of commercially reasonable efforts), of violations of Governmental Requirements (including Environmental Laws) in connection with the operation and maintenance of such Properties, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, the Borrower shall, and shall cause its Subsidiaries to, take all actions required to be taken by it or available to it under the applicable contract(s) or Governmental Requirements, in each case to the extent it would be commercially reasonable to do so. The Borrower shall, and shall cause its Subsidiaries to use commercially reasonable efforts in light of the Borrower's business model (including the number of its Oil and Gas Properties and number and reputation of operators with which the Borrower is contractually engaged or is a co-tenant) to enforce its rights under applicable law to ensure that it is being properly paid for the marketing and sale of its Hydrocarbons produced from its Oil and Gas Properties and to alert the appropriate Governmental Authorities if it reasonably believes that the applicable operator is not performing as a commercially reasonable prudent operator and such performance could reasonably be expected to have a Material Adverse Effect on the Borrower.

Section 8.17 Commodity Exchange Act Keepwell Provisions. The Borrower hereby guarantees the payment and performance of all Indebtedness of each Credit Party (other than the Borrower) and absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each Credit Party (other than the Borrower) in order for such Credit Party to honor its obligations under the Guarantee and Collateral Agreement including obligations with respect to Swap Agreements (provided, however, that the Borrower shall only be liable under this Section 8.17 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 8.17, or otherwise under this Agreement or any Loan Document, as it relates to such other Credit Parties, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of the Borrower under this Section 8.17 shall remain in full force and effect until all Indebtedness is paid in full to the Lenders, the Administrative Agent and all other Secured Parties, and all of the Lenders' Commitments are terminated. The Borrower intends that this Section 8.17 constitute, and this Section 8.17 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Credit Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

Section 8.18 Deposit Accounts; Commodity Accounts and Securities Accounts. The Borrower and each Guarantor will cause each of their respective Deposit Accounts, Commodity Accounts or Securities Accounts (in each case, other than Excluded Accounts) to at all times be subject to an Account Control Agreement. Notwithstanding anything else to the contrary in this Agreement or in any other Loan Document, for each Deposit Account, Securities Account and Commodity Account (in each case, other than Excluded Accounts) that such Credit Party at any time maintains, such Credit Party will, substantially contemporaneously with the opening of such Deposit Account, Securities Account or Commodity Account (in each case, other than Excluded Accounts) (or at such later date as the Administrative Agent may agree in its sole discretion), provide an Account Control Agreement to the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent, pursuant to which such Account Control Agreement shall cause the depository bank that maintains such Deposit Account, securities intermediary that maintains such Securities Account, or commodities intermediary that maintains such Commodity Account, as applicable, to agree to comply at any time with instructions from the Administrative Agent to such depository bank, securities intermediary or commodities intermediary directing the disposition of funds from time to time credited to such Deposit Account, Securities Account or Commodity Account, without further consent of such Credit Party, or take such other action as the Administrative Agent may approve in order to perfect the Administrative Agent's security interest in such Deposit Account, Securities Account or Commodity Account.

Section 8.19 Affirmative Hedging Covenant. As of the last day of each calendar quarter (each, a "Swap Compliance Date"), commencing with the calendar quarter ending May 31, 2022, one or more of the Credit Parties shall have entered into Swap Agreements with one or more Approved Counterparties in the form of fixed-price swap transactions, or purchased put options or collars to hedge notional volumes of crude oil covering not less than (a) for each calendar quarter during the first 12 months following such Swap Compliance Date, sixty percent (60%) and (b) for each calendar quarter during months 13 through 24 following such Swap Compliance Date, fifty percent (50%), in each case, of the reasonably anticipated proved developed producing production of crude oil of the Credit Parties as projected for each such quarter in the Reserve Report most recently delivered prior to such Swap Compliance Date; provided that if the Utilization Percentage as of each of the five (5) consecutive Business Days immediately prior to and including the applicable Swap Compliance Date is less than fifty percent (50%), then the Borrower shall not be required to comply with the foregoing clause (b) with respect to such Swap Compliance Date.

Section 8.20 Post-Closing Covenant.

(a) On or prior to the date that is forty-five (45) days following the Effective Date (or such later date as the Administrative Agent may agree in its sole discretion), the Administrative Agent shall have received satisfactory evidence that Cloudbreak has been dissolved.

(b) On or prior to the date that is sixty (60) days following the Effective Date (or such later date as the Administrative Agent may agree in its sole discretion), the Administrative Agent shall have received an opinion of Beatty & Wozniak, P.C., special counsel to the Borrower, in form and substance acceptable to the Administrative Agent and its counsel covering the Amended and Restated Mortgages listed in Item 3 of Exhibit E in the State of North Dakota and the State of Wyoming.

**ARTICLE IX  
NEGATIVE COVENANTS**

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 9.01 Financial Covenants.

(a) Leverage Ratio. The Borrower will not, as of the last day of any fiscal quarter, permit its ratio of Total Funded Debt as of such date to EBITDAX for the four fiscal quarters ending on such date to be greater than 3.0 to 1.0.

(b) Current Ratio. The Borrower will not permit, as of the last day of any fiscal quarter, its ratio of (i) consolidated current assets of the Borrower and its Consolidated Subsidiaries (including the unused amount of the total Commitments (but only to the extent that the Borrower is permitted to borrow such amount under the terms of this Agreement, including Section 6.02 hereof), but excluding non-cash assets under ASC 815) to (ii) consolidated current liabilities of the Borrower and its Consolidated Subsidiaries (excluding non-cash obligations under ASC 815 and current maturities under this Agreement) to be less than 1.0 to 1.0.

Section 9.02 Debt. The Borrower will not, and will not permit any Subsidiary to, incur, create, assume or suffer to exist any Debt, except:

(a) the Loans and other Indebtedness arising under the Loan Documents, or any guarantee of or suretyship arrangement for the Loans and other Indebtedness arising under the Loan Documents;

(b) Debt of the Borrower and its Subsidiaries existing on the date hereof that is reflected on Schedule 9.02;

(c) accounts payable and accrued expenses, liabilities or other obligations to pay the deferred purchase price of Property or services, from time to time incurred in the ordinary course of business which are not greater than 120 days past the date of invoice or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;

(d) Debt under Capital Leases not to exceed \$250,000 in the aggregate at any one time outstanding;

(e) Debt associated with bonds or surety obligations required by Governmental Requirements in connection with the operation of the Oil and Gas Properties;

(f) intercompany Debt between the Borrower and any Guarantor or between Guarantors to the extent permitted by Section 9.05(g); *provided* that any such Debt owed by either the Borrower or a Guarantor shall be subordinated to the Indebtedness on the terms set forth in the Guarantee and Collateral Agreement;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) other unsecured Debt not to exceed \$500,000 in the aggregate at any one time outstanding; and

(i) Debt of the Borrower as a result of the Management Incentive Units constituting Disqualified Capital Stock so long as no holder of any Management Incentive Units has a right to require the Borrower to redeem any Management Incentive Units prior to May 7, 2020.

Section 9.03 Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired), except:

(a) Liens securing the payment of any Indebtedness.

(b) Excepted Liens.

(c) Liens securing Capital Leases permitted by Section 9.02(d) but only on the Property under lease.

Section 9.04 Dividends and Distributions. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, return any capital to its stockholders or make any distribution of its Property to its Equity Interest holders, except:



(a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its Equity Interests (other than Disqualified Capital Stock);

(b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests;

(c) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries so long as any such Restricted Payments paid in cash does not exceed \$250,000 in the aggregate in any fiscal year;

(d) so long as no Event of Default or Borrowing Base Deficiency then exists or would result therefrom, the Borrower may make Permitted Tax Distributions (i) quarterly, based on Borrower's good faith estimate of its taxable income for each applicable quarterly period, and (ii) annually, based on Borrower's annual federal income tax filing;

(e) the Borrower may make cash distributions to the holders of its Equity Interests so long as (i) no Event of Default or Borrowing Base Deficiency then exists or would result therefrom, (ii) after giving pro forma effect to such distribution, (A) the total Revolving Credit Exposure does not exceed 80% of the total Commitments (i.e., the least of (A) the Aggregate Maximum Credit Amounts, (B) the then effective Borrowing Base and (C) the then effective Aggregate Elected Commitment Amounts), (B) on a pro forma basis, the ratio of Total Funded Debt as of the date of such distribution to EBITDAX for the four fiscal quarters ending on the last day of the fiscal quarter most recently ended for which financial statements are available does not exceed 2.25 to 1.00, and (C) the Distributable Free Cash Flow Amount shall be greater than or equal to \$0, and (iii) the Borrower shall have delivered a Free Cash Flow Usage Certificate executed by a Financial Officer to the Administrative Agent not less than two (2) Business Days prior to the making of such Restricted Payment;

(f) [Reserved]; and

(g) the Borrower may make cash distributions without limit to the holders of its Equity Interests so long as (i) no Event of Default or Borrowing Base Deficiency then exists or would result therefrom, (ii) after giving pro forma effect to such distribution, (A) the total Revolving Credit Exposure does not exceed 70% of the total Commitments (i.e., the least of (A) the Aggregate Maximum Credit Amounts, (B) the then effective Borrowing Base and (C) the then effective Aggregate Elected Commitment Amounts) and (B) on a pro forma basis, the ratio of Total Funded Debt as of the date of such distribution to EBITDAX for the four fiscal quarters ending on the last day of the fiscal quarter most recently ended for which financial statements are available does not exceed 1.50 to 1.00.

Section 9.05 Investments, Loans and Advances. The Borrower will not, and will not permit any Subsidiary to, make or permit to remain outstanding any Investments in or to any Person, except that the foregoing restriction shall not apply to:

(a) Investments as of the Effective Date which are disclosed to the Lenders in Schedule 9.05.

(b) accounts receivable arising in the ordinary course of business.

(c) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof.

(d) commercial paper maturing within one year from the date of creation thereof rated in the highest grade by S&P or Moody's.

(e) deposits maturing within one year from the date of creation thereof with, including certificates of deposit issued by, any Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least \$100,000,000 (as of the date of such bank or trust company's most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by S&P or Moody's, respectively.

(f) deposits in money market funds investing exclusively in Investments described in Section 9.05(c), Section 9.05(d) or Section 9.05(e).

(g) Investments (i) made by the Borrower in or to the Guarantors and (ii) made by any Subsidiary in or to the Borrower or any Guarantor.

(h) subject to the limits in Section 9.06, Investments of the type described in clause (c) of the definition thereof in direct ownership interests in additional Oil and Gas Properties and gas gathering systems related thereto or related to farm-out, farm-in, joint operating, joint venture or area of mutual interest agreements, gathering systems, pipelines or other similar arrangements which are usual and customary in the oil and gas exploration and production business located within the geographic boundaries of the United States of America.

(i) other Investments not to exceed \$500,000 in the aggregate at any time.

Section 9.06 Nature of Business: No International Operations. The Borrower will not, and will not permit any Subsidiary to, allow any material change to be made in the character of its business as an independent oil and gas exploration and production company. From and after the date hereof, the Borrower and its Domestic Subsidiaries will not acquire or make any other expenditure (whether such expenditure is capital, operating or otherwise) in or related to, any Oil and Gas Properties not located within the geographical boundaries of the United States. The Borrower shall at all times remain organized under the laws of the United States of America or any State thereof or the District of Columbia.

Section 9.07 Limitation on Leases. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal but excluding Capital Leases and leases of Hydrocarbon Interests), under leases or lease agreements which would cause the aggregate amount of all payments made by the Borrower and its Subsidiaries pursuant to all such leases or lease agreements, including any residual payments at the end of any lease, to exceed \$500,000 in any period of twelve consecutive calendar months during the life of such leases.

Section 9.08 Proceeds of Loans.

(a) The Borrower will not permit the proceeds of the Loans to be used for any purpose other than those permitted by Section 7.21. Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any of the Loan Documents to violate Regulations T, U or X or any other regulation of the Board or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. If requested by the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 or such other form referred to in Regulation U, Regulation T or Regulation X of the Board, as the case may be.

(b) The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 9.09 ERISA Compliance. The Borrower will not, and will not permit any Subsidiary to, at any time:

(a) engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which the Borrower, a Subsidiary or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code.

(b) fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Borrower, a Subsidiary or any ERISA Affiliate is required to pay as contributions thereto.

(c) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to (i) any employee welfare benefit plan, as defined in section 3(1) of ERISA, including any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability, or (ii) any employee pension benefit plan, as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code.

Section 9.10 Sale or Discount of Receivables. Except for receivables obtained by the Borrower or any Subsidiary out of the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection thereof and not in connection with any financing transaction, the Borrower will not, and will not permit any Subsidiary to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

Section 9.11 Mergers, Etc. The Borrower will not, and will not permit any Subsidiary to, divide or merge into or with or consolidate with any other Person, or permit any other Person to divide or merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions and whether as a result of a Division or otherwise) all or substantially all of its Property to any other Person (whether now owned or hereafter acquired) (any such transaction, a "consolidation"), or liquidate or dissolve; *provided that* (a) any Subsidiary may participate in a consolidation with the Borrower (provided that the Borrower shall be the continuing or surviving entity), (b) any Subsidiary may participate in a consolidation with another Subsidiary so long as the surviving Subsidiary is a Credit Party and (c) the Borrower may dissolve Cloudbreak within forty-five (45) days following the Effective Date (or such later date as the Administrative Agent may agree in its sole discretion), *provided that* at the time of dissolution Cloudbreak owns no assets and any assets owned by Cloudbreak as of the Effective Date have been distributed to a Credit Party. If any Credit Party that is a limited liability company consummates a Division as a Dividing Person, each Division Successor resulting therefrom shall be required to comply with the obligations set forth in Section 8.14(b) and the other further assurances obligations set forth in the Security Instruments.

Section 9.12 Sale of Properties and Termination of Swap Agreements. The Borrower will not, and will not permit any Subsidiary to, sell, assign, farm-out, convey or otherwise transfer any Property or Liquidate any Swap Agreement in respect of commodities except for:

- (a) the sale of Hydrocarbons in the ordinary course of business;
- (b) farmouts of undeveloped acreage and assignments in connection with such farmouts;
- (c) the sale or transfer of equipment that is no longer necessary for the business of the Borrower or such Subsidiary or is replaced by equipment of at least comparable value and use; and
- (d) the sale or other disposition (including Casualty Events) of any Oil and Gas Property or any interest therein or any Subsidiary owning Oil and Gas Properties and the Liquidation of any Swap Agreement in respect of commodities; *provided that*
  - (i) no Default or Borrowing Base Deficiency exists or results from such sale or disposition of Property or the Liquidation of any Swap Agreement in respect of commodities;
  - (ii) not less than 90% of the consideration received in respect of such sale or other disposition or Liquidation shall be cash; *provided that* if such sale or other disposition does not trigger an automatic reduction to the Borrowing Base pursuant to clause (iv) below, consideration consisting of new Oil and Gas Properties may exceed 10% of the total consideration received in respect of such sale or other disposition; *provided further that* if any of the Oil and Gas Properties so disposed were evaluated in the most recently delivered Reserve Report, any new Oil and Gas Properties received as consideration therefor must be acceptable to the Required Lenders in their sole discretion;

(iii) the consideration received in respect of such sale or other disposition or Liquidation of any Swap Agreement in respect of commodities shall be equal to or greater than the fair market value of the Oil and Gas Property, interest therein or Subsidiary subject of such sale or other disposition, or Swap Agreement subject of such Liquidation (as reasonably determined by the board of directors (or comparable governing body) of the Borrower and, if requested by the Administrative Agent, the Borrower shall deliver a certificate of a Responsible Officer of the Borrower certifying to that effect);

(iv) if the aggregate fair market value of such Oil and Gas Properties sold or disposed of and the positive (from the standpoint of the Credit Parties) Swap Termination Value of Swap Agreements Liquidated pursuant to this clause (d), individually or in the aggregate, in any period between two successive Scheduled Redetermination Dates exceeds five percent (5%) of the Borrowing Base then in effect, then the Borrowing Base shall be reduced, effective immediately upon such sale, disposition or Liquidation, by an amount equal to the Borrowing Base Value of such Properties sold or disposed of and Swap Agreements Liquidated; *provided further* that if a Borrowing Base Deficiency would result from such reduction in the Borrowing Base, the Borrower shall prepay the Borrowings required pursuant to Section 3.04(c)(iii) after giving effect to such reduction in the Borrowing Base, prior to or contemporaneously with the consummation of such sale, disposition and/or Liquidation; and

(v) if any such sale or other disposition is of a Subsidiary owning Oil and Gas Properties, such sale or other disposition shall include all the Equity Interests of such Subsidiary.

Section 9.13 Environmental Matters. The Borrower will not, and will not permit any Subsidiary to, cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to a Release or threatened Release of Hazardous Materials, exposure to any Hazardous Materials, or to any Remedial Work under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property where such violations, Release or threatened Release, exposure, or Remedial Work could reasonably be expected to have a Material Adverse Effect.

Section 9.14 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction, including any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than the Guarantors) other than (i) transactions are otherwise permitted under this Agreement that are on fair and reasonable terms no less favorable to such Person than such Person would obtain in a comparable arm's length transaction with a Person not an Affiliate and (ii) transactions pursuant to the Services Agreement as in effect on the date hereof, without giving effect to any amendments, waivers, consents, or other modifications thereto after the date hereof.

Section 9.15 Subsidiaries. The Borrower will not, and will not permit any Subsidiary to, create or acquire any additional Subsidiary unless the Borrower gives written notice to the Administrative Agent of such creation or acquisition and complies with Section 8.14(b). The Borrower shall not, and shall not permit any Subsidiary to, sell, assign or otherwise dispose of any Equity Interests in any Subsidiary except in compliance with Section 9.12. Neither the Borrower nor any Subsidiary shall have any Foreign Subsidiaries. The Borrower will not permit any Person other than the Borrower or another Credit Party to own any Equity Interests in any Guarantor.

Section 9.16 Negative Pledge Agreements; Dividend Restrictions. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any contract, agreement or understanding (other than this Agreement, the Security Instruments or Capital Leases creating Liens permitted by Section 9.03(c)) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property in favor of the Administrative Agent and the Secured Parties or restricts any Subsidiary from paying dividends or making distributions to the Borrower or any Guarantor, or which requires the consent of or notice to other Persons in connection therewith.

Section 9.17 Gas Imbalances, Take-or-Pay or Other Prepayments. The Borrower will not, and will not permit any Subsidiary to, allow gas imbalances, take-or-pay or other prepayments with respect to the Oil and Gas Properties operated by the Borrower or any Subsidiary that would require the Borrower or such Subsidiary to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor to exceed one half bcf of gas (on an mcf equivalent basis) in the aggregate.

Section 9.18 Swap Agreements.

(a) The Borrower will not, and will not permit any Subsidiary to, enter into, maintain or permit to exist any Swap Agreements with any Person other than:

(i)

(A) Swap Agreements with an Approved Counterparty in respect of commodities entered into not for speculative purposes the notional volumes for which (when aggregated with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, at any time, for each month during the next 60-calendar month period following the date of measurement (x) 85% of the reasonably anticipated production of crude oil, (y) 85% of the reasonably anticipated production of natural gas and (z) 85% of the reasonably anticipated production of natural gas liquids and condensate, in each case, as such production is projected from the Borrower's and its Subsidiaries' proved, developed, producing Oil and Gas Properties as set forth on the most recent Reserve Report delivered pursuant to the terms of this Agreement; provided, however, that such Swap Agreements shall not, in any case, have a tenor of greater than five (5) years. It is understood that Swap Agreements in respect of commodities which may, from time to time, "hedge" the same volumes, but different elements of commodity risk thereof, shall not be aggregated together when calculating the foregoing limitations on notional volumes.

(B) in addition to the Swap Agreements permitted under the foregoing Section 9.18(a)(i)(A), Swap Agreements with an Approved Counterparty in respect of commodities entered into not for speculative purposes with respect to the Oil and Gas Properties proposed to be acquired pursuant to a Proposed Acquisition, so long as the notional volumes for which (x) when aggregated with other commodity Swap Agreements then in effect under this Section 9.18(a)(i)(B) other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements, do not exceed, as of the date such Swap Agreement is entered into, for each month during the next 36 months following the date such Swap Agreement is entered into, 85% of the reasonably anticipated production of crude oil, natural gas or natural gas liquids and condensate (each calculated separately), in each case, as such production is projected from such Oil and Gas Properties proposed to be acquired in such Proposed Acquisition constituting proved, developed, producing reserves as set forth on a recent reserve report evaluating such assets and delivered to the Administrative Agent in form and detail satisfactory to the Administrative Agent and (y) when aggregated with other commodity Swap Agreements then in effect (including Swap Agreements entered into under Section 9.18(a)(i)(A)) other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements, do not exceed, as of the date such Swap Agreement is entered into, for each month during the next 36 months following the date such Swap Agreement is entered into, 170% of the reasonably anticipated production of crude oil, natural gas or natural gas liquids and condensate (each calculated separately), in each case, as such production is projected from the Borrower's and its Subsidiaries' proved, developed, producing Oil and Gas Properties as set forth on the most recent Reserve Report delivered pursuant to the terms of this Agreement (excluding, for the avoidance of doubt, any Oil and Gas Properties proposed to be acquired in a Proposed Acquisition that the Borrower or a Subsidiary does not yet own); *provided, however*, that (1) such Swap Agreements shall not, in any case, have a tenor of greater than 36 months, (2) at all times such Swap Agreements remain outstanding, the total Revolving Credit Exposure shall not exceed 80% of the total Commitments (i.e., the least of (A) the Aggregate Maximum Credit Amounts, (B) the then effective Borrowing Base and (C) the then effective Aggregate Elected Commitment Amounts), (3) such Swap Agreements must be liquidated, terminated or otherwise monetized on or prior to the 10th Business Day following the earlier to occur of: (x) the date that is ninety (90) days after the initial execution of the purchase and sale agreement or similar definitive agreement related to such Proposed Acquisition to the extent that such Proposed Acquisition has not been consummated by such date, and (y) the Borrower or any Subsidiary knows with reasonable certainty that the Proposed Acquisition will not be consummated, and (4) at any time a Swap Agreement under this Section 9.18(a)(i)(B) would otherwise be permitted under Section 9.18(a)(i)(A), it shall at such time be deemed governed by Section 9.18(a)(i)(A) and at such time shall not be subject to the limitations under this Section 9.18(a)(i)(B). It is understood that Swap Agreements in respect of commodities which may, from time to time, "hedge" the same volumes, but different elements of commodity risk thereof, shall not be aggregated together when calculating the foregoing limitations on notional volumes.

(ii) Swap Agreements in respect of interest rates with an Approved Counterparty, as follows:

(A) Swap Agreements effectively converting interest rates from fixed to floating, the notional amounts of which (when aggregated with all other Swap Agreements of the Borrower and its Subsidiaries then in effect effectively converting interest rates from fixed to floating) do not exceed 75% of the then outstanding principal amount of the Credit Parties' Debt for borrowed money which bears interest at a fixed rate, and which Swap Agreements shall not, in any case, have a tenor beyond the maturity date of such Debt, and

(B) Swap Agreements effectively converting interest rates from floating to fixed, the notional amounts of which (when aggregated with all other Swap Agreements of the Borrower and its Subsidiaries then in effect effectively converting interest rates from floating to fixed) do not exceed 75% of the then outstanding principal amount of the Credit Parties' Debt for borrowed money which bears interest at a floating rate, and which Swap Agreements shall not, in any case, have a tenor beyond the maturity date of such Debt.

(b) In no event shall any Swap Agreement contain any requirement, agreement or covenant for the Borrower or any Subsidiary to post collateral, credit support (including in the form of letters of credit) or margin to secure their obligations under such Swap Agreement or to cover market exposures, other than the Security Instruments.

(c) The Borrower will not, and will not permit any Subsidiary to, Liquidate any Swap Agreement in respect of commodities without the prior written consent of the Required Lenders except to the extent such terminations are permitted pursuant to Section 9.12.

(d) For purposes of entering into or maintaining Swap Agreement trades or transactions under Section 9.18(a)(i), forecasts of reasonably anticipated production from the Borrower's and its Subsidiaries' proved, developed, producing Oil and Gas Properties as set forth on the most recent Reserve Report delivered pursuant to the terms of this Agreement shall be deemed to be updated to account for any increase or decrease therein anticipated because of information obtained by the Borrower or any of its Subsidiaries and delivered to the Administrative Agent subsequent to the publication of such Reserve Report including (i) the Borrower's or any of its Subsidiaries' internal forecasts of production decline rates for existing wells, (ii) additions to or deletions from anticipated future production from new wells, (iii) completed dispositions, and (iv) completed acquisitions coming on stream or failing to come on stream; *provided* that (A) any such supplemental information shall be reasonably satisfactory to the Administrative Agent and (B) if any such supplemental information is delivered, such information shall be presented on a net basis (i.e. it shall take into account both increases and decreases in anticipated production subsequent to publication of the most recent Reserve Report).

Section 9.19 Marketing Activities. With respect to the Oil and Gas Properties operated by the Borrower or any Subsidiary, the Borrower will not, and will not permit any of its Subsidiaries to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than (i) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from such proved Oil and Gas Properties during the period of such contract, (ii) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from proved Oil and Gas Properties of third parties during the period of such contract associated with the Oil and Gas Properties of the Borrower and its Subsidiaries that the Borrower or one of its Subsidiaries has the right to market pursuant to joint operating agreements, unitization agreements or other similar contracts that are usual and customary in the oil and gas business and (iii) other contracts for the purchase and/or sale of Hydrocarbons of third parties (A) which have generally offsetting provisions (i.e. corresponding pricing mechanics, delivery dates and points and volumes) such that no "position" is taken and (B) for which credit support in a form and amount reasonably determined by the Borrower has been taken to alleviate the material credit risks of the counterparty thereto.



Section 9.20 Non-Qualified ECP Guarantors. The Borrower shall not permit any Credit Party that is not a Qualified ECP Guarantor to own, at any time, any Oil and Gas Properties or any Equity Interests in any Subsidiaries.

**ARTICLE X  
EVENTS OF DEFAULT; REMEDIES**

Section 10.01 Events of Default. One or more of the following events shall constitute an “Event of Default”:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof, by acceleration or otherwise.

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in Section 10.01(a)) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days.

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with any Loan Document or any amendment or modification of any Loan Document or waiver under such Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect (or with respect to any such representation or warranty already qualified by materiality or Material Adverse Effect, in any respect) when made or deemed made.

(d) the Borrower or any Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in Section 8.01(h), Section 8.01(l), Section 8.02, Section 8.03, Section 8.14, Section 8.15, Section 8.18, Section 8.19, Section 8.20 or in Article IX.

(e) the Borrower or any Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 10.01(a), Section 10.01(b) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of fifteen (15) days after the occurrence thereof.

(f) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable.

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the Redemption thereof or any offer to Redeem to be made in respect thereof, prior to its scheduled maturity or require the Borrower or any Subsidiary to make an offer in respect thereof.

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for thirty (30) days or an order or decree approving or ordering any of the foregoing shall be entered.

(i) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 10.01(h), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or any stockholder of the Borrower shall make any request or take any action for the purpose of calling a meeting of the stockholders of the Borrower to consider a resolution to dissolve and wind-up the Borrower's affairs.

(j) the Borrower or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 (to the extent not covered by independent third party insurance provided by insurers of the highest claims paying rating or financial strength as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) or (ii) any one or more non-monetary judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment.

(l) the Loan Documents after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Borrower or a Guarantor party thereto or shall be repudiated by any of them, or cease to create a valid and perfected Lien of the priority required thereby on any of the collateral purported to be covered thereby, except to the extent permitted by the terms of this Agreement, or the Borrower or any Subsidiary or any of their Affiliates shall so state in writing.

(m) a Change in Control shall occur.

(n) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000.

Section 10.02 Remedies.

(a) In the case of an Event of Default other than one described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may, and at the request of the Required Lenders, shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Notes and the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower and the Guarantors accrued hereunder and under the Notes and the other Loan Documents (including the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall become due and payable immediately, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by the Borrower and each Guarantor; and in case of an Event of Default described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), the Commitments shall automatically terminate and the Notes and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and the other obligations of the Borrower and the Guarantors accrued hereunder and under the Notes and the other Loan Documents (including the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower and each Guarantor.

(b) In the case of the occurrence of an Event of Default, the Administrative Agent and the Lenders will have all other rights and remedies available at law and equity.

(c) All proceeds realized from the liquidation or other disposition of collateral or otherwise received after maturity of the Loans, whether by acceleration or otherwise, shall be applied:

(i) *first*, to payment or reimbursement of that portion of the Indebtedness constituting fees, expenses and indemnities payable to the Administrative Agent in its capacity as such;

(ii) *second*, pro rata to payment or reimbursement of that portion of the Indebtedness constituting fees, expenses and indemnities payable to the Lenders;

(iii) *third*, pro rata to payment of accrued interest on the Loans;

(iv) *fourth*, pro rata to payment of principal outstanding on the Loans, LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time, and Indebtedness referred to in clauses (b) and (c) of the definition of Indebtedness owing to Secured Swap Providers and Bank Products Providers;

(v) *fifth*, pro rata to any other Indebtedness;

(vi) *sixth*, to serve as cash collateral to be held by the Administrative Agent to secure the remaining LC Exposure; and

(vii) *seventh*, any excess, after all of the Indebtedness shall have been indefeasibly paid in full in cash, shall be paid to the Borrower or as otherwise required by any Governmental Requirement.

Notwithstanding the foregoing, amounts received from the Borrower or any Guarantor that is not an “eligible contract participant” under the Commodity Exchange Act shall not be applied to any Excluded Swap Obligations (it being understood, that in the event that any amount is applied to Indebtedness other than Excluded Swap Obligations as a result of this clause, the Administrative Agent shall make such adjustments as it determines are appropriate to distributions pursuant to clause *fourth* above from amounts received from “eligible contract participants” under the Commodity Exchange Act to ensure, as nearly as possible, that the proportional aggregate recoveries with respect to Indebtedness described in clause *fourth* above by the holders of any Excluded Swap Obligations are the same as the proportional aggregate recoveries with respect to other Indebtedness pursuant to clause *fourth* above).

## **ARTICLE XI THE AGENTS**

Section 11.01 Appointment; Powers. Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Section 11.02 Duties and Obligations of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing (the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law; rather, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties), (b) the Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except as provided in Section 11.03, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the

Administrative Agent by the Borrower or a Lender, and shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Loan Document or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in Article VI or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or as to those conditions precedent expressly required to be to the Administrative Agent's satisfaction, (vi) the existence, value, perfection or priority of any collateral security or the financial or other condition of the Borrower and its Subsidiaries or any other obligor or guarantor, or (vii) any failure by the Borrower or any other Person (other than itself) to perform any of its obligations hereunder or under any other Loan Document or the performance or observance of any covenants, agreements or other terms or conditions set forth herein or therein. For purposes of determining compliance with the conditions specified in Article VI, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed closing date specifying its objection thereto.

Section 11.03 Action by Administrative Agent. The Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) and in all cases the Administrative Agent shall be fully justified in failing or refusing to act hereunder or under any other Loan Documents unless it shall (a) receive written instructions from the Required Lenders or the Lenders, as applicable, (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) specifying the action to be taken and (b) be indemnified to its satisfaction by the Lenders against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action. The instructions as aforesaid and any action taken or failure to act pursuant thereto by the Administrative Agent shall be binding on all of the Lenders. If a Default has occurred and is continuing, then the Administrative Agent shall take such action with respect to such Default as shall be directed by the requisite Lenders in the written instructions (with indemnities) described in this Section 11.03, *provided* that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders. In no event, however, shall the Administrative Agent be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement, the Loan Documents or applicable law. If a Default has occurred and is continuing, no Agent shall have any obligation to perform any act in respect thereof. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or the Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02), and otherwise the Administrative Agent shall not be liable for any action taken or not taken by it hereunder or under any other Loan Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith INCLUDING ITS OWN ORDINARY NEGLIGENCE, except for its own gross negligence or willful misconduct.

Section 11.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon and each of the Borrower, the Lenders and the Issuing Bank hereby waives the right to dispute the Administrative Agent's record of such statement, except in the case of gross negligence or willful misconduct by the Administrative Agent. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof permitted hereunder shall have been filed with the Administrative Agent.

Section 11.05 Subagents. The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding Sections of this Article XI shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 11.06 Resignation of Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 11.06, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article XI and Section 12.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Section 11.07 Agents as Lenders. Each bank serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not an Agent hereunder.

Section 11.08 No Reliance. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Loan Document to which it is a party. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder. The Agents shall not be required to keep themselves informed as to the performance or observance by the Borrower or any of its Subsidiaries of this Agreement, the Loan Documents or any other document referred to or provided for herein or to inspect the Properties or books of the Borrower or its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent or Arranger shall have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any of its Affiliates) which may come into the possession of such Agent or any of its Affiliates. In this regard, each Lender acknowledges that Vinson & Elkins L.L.P. is acting in this transaction as special counsel to the Administrative Agent only, except to the extent otherwise expressly stated in any legal opinion or any Loan Document. Each other party hereto will consult with its own legal counsel to the extent that it deems necessary in connection with the Loan Documents and the matters contemplated therein.

Section 11.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any of its Subsidiaries, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Indebtedness that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 12.03) allowed in such judicial proceeding; and

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(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 12.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Indebtedness or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 11.10 Authority of Administrative Agent to Release Collateral, Liens and Guarantors. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to release (a) any collateral that is permitted to be sold or released pursuant to the terms of the Loan Documents and (b) any Guarantor if 100% of the Equity Interests in such Guarantor are sold in a transaction permitted under the Loan Documents. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to execute and deliver to the Borrower, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments or other documents reasonably requested by the Borrower in connection with any sale or other disposition of Property to the extent such sale or other disposition is permitted by the terms of Section 9.12 or is otherwise authorized by the terms of the Loan Documents. Following the receipt of any such request by the Borrower for the Administrative Agent to release Liens on the Collateral and/or to deliver termination statements, releases or other similar instruments, the Administrative Agent may request the Borrower provide a written certificate of a Responsible Officer certifying that the applicable transaction is permitted or not prohibited pursuant to the Loan Documents (and the Administrative Agent may rely conclusively on any such certificate without further inquiry and shall have no liability to any Secured Party for any inaccuracy or misrepresentation contained therein). Upon request by the Administrative Agent at any time, the requisite Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty Agreement pursuant to this Section 11.10.

Section 11.11 The Arranger; Agents. Neither the Arrangers, nor any Agent (other than the Administrative Agent) shall have any duties, responsibilities or liabilities under this Agreement and the other Loan Documents other than their duties, responsibilities and liabilities in their capacity as Lenders hereunder.

Section 11.12 Secured Swap Obligations and Secured Cash Management Obligations. No Secured Swap Provider or Bank Products Provider that obtains the benefits of Section 10.02(c) or any Collateral by virtue of the provisions hereof or of any Security Instrument shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of



any Collateral), or to notice of or to consent to any amendment, waiver or modification of the provisions hereof or of any Guaranty Agreement or any Security Instrument, other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Except as expressly provided in Section 10.02(c), the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Indebtedness in respect of Swap Agreements or Bank Products.

Section 11.13 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit or the Commitments or this Agreement;

(ii) the prohibited transaction exemption set forth in one or more PTEs, such as PTE84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable so as to exempt from the prohibitions of Section 406 of ERISA and Section 4975 of the Code such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that none of the Administrative Agent, any Arranger and their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

Section 11.14 Erroneous Payments.

(a) Each Lender, each Issuing Bank, each other Secured Party and any other party hereto hereby severally agrees that if (i) the Administrative Agent notifies (which such notice shall be conclusive absent manifest error) such Lender or Issuing Bank or any other Secured Party (or the Lender Affiliate of a Secured Party) or any other Person that has received funds from the Administrative Agent or any of its Affiliates, either for its own account or on behalf of a Lender, Issuing Bank or other Secured Party (each such recipient, a "Payment Recipient") that the Administrative Agent has determined in its sole discretion that any funds received by such Payment Recipient were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Payment Recipient) or (ii) any Payment Recipient receives any payment from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, or (z) that such Payment Recipient otherwise becomes aware was transmitted or received in error or by mistake (in whole or in part) then, in each case, an error in payment shall be presumed to have been made (any such amounts specified in clauses (i) or (ii) of this Section 11.14(a), whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise; individually and collectively, an "Erroneous Payment"), then, in each case, such Payment Recipient is deemed to have knowledge of such error at the time of its receipt of such Erroneous Payment; provided that nothing in this Section shall require the Administrative Agent to provide any of the notices specified in clauses (i) or (ii) above. Each Payment Recipient agrees that it shall not assert any right or claim to any Erroneous Payment, and hereby waives any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine.

(b) Without limiting the immediately preceding clause (a), each Payment Recipient agrees that, in the case of clause (a)(ii) above, it shall promptly notify the Administrative Agent in writing of such occurrence.

(c) In the case of either clause (a)(i) or (a)(ii) above, such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and upon demand from the Administrative Agent such Payment Recipient shall (or, shall cause any Person who received any portion of an Erroneous Payment on its behalf to), promptly, but in all events no later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made in same day funds and in the currency so received, together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (c), from any Lender that is a Payment Recipient or an Affiliate of a Payment Recipient (such unrecovered amount as to such Lender, an "Erroneous Payment Return Deficiency"), then at the sole discretion of the Administrative Agent and upon the Administrative Agent's written notice to such Lender (i) such Lender shall be deemed to have made a cashless assignment of the full face amount of the portion of its Loans (but not its Commitments) of the relevant Class with respect to which such Erroneous Payment was made (the "Erroneous Payment Impacted Class") to the Administrative Agent or, at the option of the Administrative Agent, the Administrative Agent's applicable lending affiliate in an amount that is equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the "Erroneous Payment Deficiency Assignment") plus any accrued and unpaid interest on such assigned amount, without further consent or approval of any party hereto and without any payment by the Administrative Agent or its applicable lending affiliate as the assignee of such Erroneous Payment Deficiency Assignment. The parties hereto acknowledge and agree that (1) any assignment contemplated in this clause (d) shall be made without any requirement for any payment or other consideration paid by the applicable assignee or received by the assignor, (2) the provisions of this clause (d) shall govern in the event of any conflict with the terms and conditions of Section 12.04 and (3) the Administrative Agent may reflect such assignments in the Register without further consent or action by any other Person.

(e) Each party hereto hereby agrees that (x) in the event an Erroneous Payment (or portion thereof) is not recovered from any Payment Recipient that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent (1) shall be subrogated to all the rights of such Payment Recipient with respect to such amount and (2) is authorized to set off, net and apply any and all amounts at any time owing to such Payment Recipient under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Payment Recipient from any source, against any amount due to the Administrative Agent under this Section 11.14 or under the indemnification provisions of this Agreement, (y) the receipt of an

Erroneous Payment by a Payment Recipient shall not for the purpose of this Agreement be treated as a payment, prepayment, repayment, discharge or other satisfaction of any Indebtedness owed by the Borrower or any other Credit Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Credit Party for the purpose of making a payment on the Indebtedness and (z) to the extent that an Erroneous Payment was in any way or at any time credited as payment or satisfaction of any of the Indebtedness, the Indebtedness or any part thereof that were so credited, and all rights of the Payment Recipient, as the case may be, shall be reinstated and continue in full force and effect as if such payment or satisfaction had never been received, except to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Credit Party for the purpose of making for a payment on the Indebtedness.

(f) Each party's obligations under this Section 11.14 shall survive the resignation or replacement of the Administrative Agent or any transfer of right or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Indebtedness (or any portion thereof) under any Loan Document.

(g) Nothing in this Section 11.14 will constitute a waiver or release of any claim of the Administrative Agent hereunder arising from any Payment Recipient's receipt of an Erroneous Payment.

## **ARTICLE XII MISCELLANEOUS**

### Section 12.01 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to Section 12.01(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, and solely in the case of notices and other communications to the Borrower, by e-mail, in each case as follows:

(i) if to the Borrower, to it at:

Vitesse Energy LLC  
9200 E. Mineral Avenue  
Suite 200  
Centennial, CO 80112  
Attention: Brian Cree  
Fax No. (720) 361-2501;  
Email: briancre@vitesseoil.com

(ii) if to the Administrative Agent or the Issuing Bank, to it at:

Wells Fargo Bank, N.A.  
1700 Lincoln Street, 6<sup>th</sup> Floor  
Denver, Colorado 80203  
Attention: Joseph Rottinghaus  
Fax No.: (303) 863-5196

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with a copy to:

Wells Fargo Bank, N.A.  
MAC D1109-019  
1525 West W. T. Harris Blvd.  
Charlotte, NC 28262  
Attention: Syndication Agency Services  
Fax No.: (704) 590-3481  
Email: [Agencyservices.requests@wellsfargo.com](mailto:Agencyservices.requests@wellsfargo.com); and

(iii) if to any other Lender, to it at its address (or fax number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; *provided* that the foregoing shall not apply to notices pursuant to Article II, Article III, Article IV and Article V unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its e-mail address, address or fax number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

(d) Platform.

(i) Each Credit Party, each Lender and each Issuing Bank agrees that the Administrative Agent may, but shall not be obligated to, make materials and/or information provided on behalf of the Borrower hereunder (collectively, the "Borrower Materials") available to the Issuing Banks and the other Lenders by posting the Borrower Materials on the Platform.

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the accuracy or completeness of the Borrower Materials or the adequacy of the Platform, and expressly disclaim liability for errors or omissions in the Borrower Materials. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Borrower Materials or the Platform. Although the Platform is secured pursuant to generally-applicable security procedures and policies implemented or modified by the Administrative Agent and its Related Parties, each of the Lenders, the Issuing Banks and the Borrower acknowledges

and agrees that distribution of information through an electronic means is not necessarily secure in all respects, the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") are not responsible for approving or vetting the representatives, designees or contacts of any Lender or Issuing Bank that are provided access to the Platform and that there may be confidentiality and other risks associated with such form of distribution. Each of the Borrower, each Lender and each Issuing Bank party hereto understands and accepts such risks. In no event shall the Agent Parties have any liability to any Credit Party, any Lender or any other Person or entity for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of any Credit Party's or the Administrative Agent's transmission of communications through the Internet (including the Platform), except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided that in no event shall any Agent Party have any liability to any Credit Party, any Lender, any Issuing Bank or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to actual damages arising out of any Credit Party's or the Administrative Agent's transmission of communications through the Internet (including the Platform)).

Section 12.02 Waivers; Amendments.

(a) No failure on the part of the Administrative Agent, any other Agents, the Issuing Bank or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege, or any abandonment or discontinuance of steps to enforce such right, power or privilege, under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Administrative Agent, any other Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by Section 12.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any other Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof nor any Security Instrument nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment, Elected Commitment or the Maximum Credit Amount of any Lender without the written consent of such Lender, (ii) increase the Borrowing Base without the written consent of each Lender, decrease or maintain the Borrowing Base without the consent of the Required Lenders, or modify Section 2.07 in any manner that results in an increase in the Borrowing Base without the consent of each Lender (other than any Defaulting Lender), (iii) reduce the principal amount of any Loan or LC Disbursement or reduce

the rate of interest thereon, or reduce any fees payable hereunder, or reduce any other Indebtedness hereunder or under any other Loan Document, without the written consent of each Lender affected thereby, (iv) postpone the scheduled date of payment or prepayment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or any other Indebtedness hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Termination Date without the written consent of each Lender affected thereby, (v) change Section 4.01(b) or Section 4.01(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) waive or amend Section 3.04(c), Section 6.01, Section 8.14, Section 10.02(c) or Section 12.14 or change the definition of the terms "Domestic Subsidiary", "Foreign Subsidiary" or "Subsidiary", without the written consent of each Lender (other than any Defaulting Lender), (vii) release any Guarantor (except as set forth in Section 11.10 or in the Guarantee and Collateral Agreement), release all or substantially all of the collateral (other than as provided in Section 11.10), subordinate the payment priority of the Indebtedness to any other Debt, amend or reduce the percentage set forth in Section 8.14(a) to less than 85%, or subordinate any Lien created by the Security Instruments (except to the extent expressly permitted hereunder), in each case without the written consent of each Lender (other than any Defaulting Lender), or (viii) change any of the provisions of this Section 12.02(b) or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or under any other Loan Documents or make any determination or grant any consent hereunder or any other Loan Documents, without the written consent of each Lender (other than any Defaulting Lender); *provided further* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, any other Agent, or the Issuing Bank hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, such other Agent or the Issuing Bank, as the case may be. Notwithstanding the foregoing, (w) any supplement to Schedule 7.14 (Subsidiaries) shall be effective simply by delivering to the Administrative Agent a supplemental schedule clearly marked as such and, upon receipt, the Administrative Agent will promptly deliver a copy thereof to the Lenders, (x) the Borrower and the Administrative Agent may amend this Agreement or any other Loan Document without the consent of the Lenders in order to correct, amend or cure any ambiguity, inconsistency or defect or correct any typographical error or other manifest error in any Loan Document, (y) the Administrative Agent and the Borrower (or other applicable Credit Party) may enter into any amendment, modification or waiver of this Agreement or any other Loan Document or enter into any agreement or instrument to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Mortgaged Property or Property to become Mortgaged Property to secure the Indebtedness for the benefit of the Lenders or as required by any Governmental Requirement to give effect to, protect or otherwise enhance the rights or benefits of any Lender under the Loan Documents without the consent of any Lender and (z) the Administrative Agent may, without the consent of any Lender, enter into amendments or modifications to this Agreement or any of the other Loan Documents or enter into additional Loan Documents as the Administrative Agent reasonably deems appropriate in order to implement any Benchmark Replacement, any Conforming Changes or otherwise effectuate the terms of Section 3.02(f) or Section 3.03(c) in accordance with the terms of Section 3.02(f) or Section 3.03(c), as applicable.

Section 12.03 Expenses, Indemnity; Damage Waiver

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel and other outside consultants for the Administrative Agent, the reasonable travel, photocopy, mailing, courier, telephone and other similar expenses, and the cost of environmental invasive and non-invasive assessments and audits and surveys and appraisals, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration (both before and after the execution hereof and including advice of counsel to the Administrative Agent as to the rights and duties of the Administrative Agent and the Lenders with respect thereto) of this Agreement and the other Loan Documents and any amendments, modifications or waivers of or consents related to the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all costs, expenses, Taxes, assessments and other charges incurred by any Agent or any Lender in connection with any filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, (iii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iv) all out-of-pocket expenses incurred by any Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for any Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section 12.03, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) THE BORROWER SHALL INDEMNIFY EACH AGENT, EACH ARRANGER, THE ISSUING BANK AND EACH LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND DEFEND AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (i) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OR THE PARTIES TO ANY OTHER LOAN DOCUMENT OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR BY ANY OTHER LOAN DOCUMENT, (ii) THE FAILURE OF THE BORROWER OR ANY SUBSIDIARY TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (iii) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE BORROWER OR ANY GUARANTOR SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (iv) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS



THEREFROM, INCLUDING, WITHOUT LIMITATION, (A) ANY REFUSAL BY THE ISSUING BANK TO HONOR A DEMAND FOR PAYMENT UNDER A LETTER OF CREDIT IF THE DOCUMENTS PRESENTED IN CONNECTION WITH SUCH DEMAND DO NOT STRICTLY COMPLY WITH THE TERMS OF SUCH LETTER OF CREDIT, OR (B) THE PAYMENT OF A DRAWING UNDER ANY LETTER OF CREDIT NOTWITHSTANDING THE NON-COMPLIANCE, NON-DELIVERY OR OTHER IMPROPER PRESENTATION OF THE DOCUMENTS PRESENTED IN CONNECTION THEREWITH, (v) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vi) THE OPERATIONS OF THE BUSINESS OF THE BORROWER AND ITS SUBSIDIARIES BY THE BORROWER AND ITS SUBSIDIARIES, (vii) ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (viii) ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING, THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT OF HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, (ix) THE BREACH OR NON-COMPLIANCE BY THE BORROWER OR ANY SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY, (x) THE PAST OWNERSHIP BY THE BORROWER OR ANY SUBSIDIARY OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY OF THEIR PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (xi) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT, DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL OF HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE BORROWER OR ANY SUBSIDIARY OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE BORROWER OR ANY OF ITS SUBSIDIARIES, (xii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE BORROWER OR ANY OF ITS SUBSIDIARIES, OR (xiii) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xiv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, AND SUCH INDEMNITY SHALL EXTEND TO EACH INDEMNITEE NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNITEES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNITEES; *provided* THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to any Agent, any Arranger or the Issuing Bank under Section 12.03(a) or (b), each Lender severally agrees to pay to such Agent, any Arranger or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent, any Arranger or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section 12.03 shall be payable promptly after written demand therefor.

Section 12.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 12.04. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in Section 12.04(c)) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in Section 12.04(b)(ii), any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, *provided* that no consent of the Borrower shall be required if such assignment is to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, is to any other assignee; and

(B) the Administrative Agent, *provided* that no consent of the Administrative Agent shall be required for an assignment to an assignee that is a Lender, an Affiliate of a Lender or an Approved Fund, in each case immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, *provided* that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

(E) in no event may any Lender assign all or a portion of its rights and obligations under this Agreement to the Borrower, any Affiliate of the Borrower, any Defaulting Lender or any natural person; and

(F) the Applicable Percentage of the Maximum Credit Amount and of the Elected Commitment assigned are equal.

(iii) Subject to Section 12.04(b)(iv) and the acceptance and recording thereof by the Administrative Agent, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 5.01, Section 5.02, Section 5.03 and Section 12.03) *provided*, that except to the extent otherwise expressly agreed by the affected parties, no such assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.04(c).

(iv) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Maximum Credit Amount and Elected Commitment of, and principal amount (and stated interest) of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice. In connection with any changes to the Register, if necessary, the Administrative Agent will reflect the revisions on Annex I and forward a copy of such revised Annex I to the Borrower, the Issuing Bank and each Lender.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 12.04(b) and any written consent to such assignment required by Section 12.04(b), the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 12.04(b).

(vi) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent) to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Issuing Bank and each other Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other Persons (other than the Borrower, any Affiliate of the Borrower, any Defaulting Lender or any natural person) (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided* that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender

shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the proviso to Section 12.02 that affects such Participant. In addition such agreement must provide that the Participant be bound by the provisions of Section 12.03. Subject to Section 12.04(c)(ii), the Borrower agrees that each Participant shall be entitled to the benefits of Section 5.01, Section 5.02 and Section 5.03 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.04(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.08 as though it were a Lender, provided such Participant agrees to be subject to Section 4.01(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(ii) Each Participant agrees (A) to be subject to the provisions of Sections 5.03 (subject to the requirements and limitations therein, including the requirements under Section 5.03(f) (it being understood that the documentation required under Section 5.03(f) shall be delivered to the participating Lender)) as if it were an assignee under paragraph (b) of this Section; and (B) that it shall not be entitled to receive any greater payment under Sections 5.01 or 5.03, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender, and this Section 12.04 shall not apply to any such pledge or assignment of a security interest; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) Notwithstanding any other provisions of this Section 12.04, no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower and the Guarantors to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state.

Section 12.05 Survival; Revival; Reinstatement.

(a) All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any other Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 5.01, Section 5.02, Section 5.03 and Section 12.03 and Article XI shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement, any other Loan Document or any provision hereof or thereof.

(b) To the extent that any payments on the Indebtedness or proceeds of any collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Indebtedness so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Administrative Agent's and the Lenders' Liens, security interests, rights, powers and remedies under this Agreement and each Loan Document shall continue in full force and effect. In such event, each Loan Document shall be automatically reinstated and the Borrower shall take such action as may be reasonably requested by the Administrative Agent and the Lenders to effect such reinstatement.

Section 12.06 Counterparts; Integration; Effectiveness; Electronic Execution.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

(b) This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof and thereof. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

(c) Except as provided in Section 6.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by fax, as an attachment to an email or other similar electronic means shall be effective as delivery of a manually executed counterpart of this Agreement.

(d) The words “execute,” “execution,” “signed,” “signature,” “delivery” and words of like import in or related to this Agreement, any other Loan Document or any document, amendment, approval, consent, waiver, modification, information, notice, certificate, report, statement, disclosure, or authorization to be signed or delivered in connection with this Agreement or any other Loan Document or the transactions contemplated hereby shall be deemed to include Electronic Signatures or execution in the form of an Electronic Record, and contract formations on electronic platforms approved by the Administrative Agent, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Each party hereto agrees that any Electronic Signature or execution in the form of an Electronic Record shall be valid and binding on itself and each of the other parties hereto to the same extent as a manual, original signature. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the parties of a manually signed paper which has been converted into electronic form (such as scanned into PDF format), or an electronically signed paper converted into another format, for transmission, delivery and/or retention. Notwithstanding anything contained herein to the contrary, the Administrative Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it; provided that without limiting the foregoing, (i) to the extent the Administrative Agent has agreed to accept such Electronic Signature from any party hereto, the Administrative Agent and the other parties hereto shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of the executing party without further verification and (ii) upon the request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by an original manually executed counterpart thereof. Without limiting the generality of the foregoing, each party hereto hereby (A) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Administrative Agent, the Lenders and any of the Credit Parties, electronic images of this Agreement or any other Loan Document (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (B) waives any argument, defense or right to contest the validity or enforceability of the Loan Documents based solely on the lack of paper original copies of any Loan Documents, including with respect to any signature pages thereto.

Section 12.07 Severability. Any provision of this Agreement or any other Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof or thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 12.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations (of whatsoever kind, including obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower or any Subsidiary against any of and all the obligations of the Borrower or any Subsidiary owed to such Lender now or hereafter existing under this Agreement or any other Loan Document, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 12.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender or its Affiliates may have.

Section 12.09 GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK EXCEPT TO THE EXTENT THAT UNITED STATES FEDERAL LAW PERMITS ANY LENDER TO CONTRACT FOR, CHARGE, RECEIVE, RESERVE OR TAKE INTEREST AT THE RATE ALLOWED BY THE LAWS OF THE STATE WHERE SUCH LENDER IS LOCATED.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EITHER CASE LOCATED IN NEW YORK COUNTY, NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NON-EXCLUSIVE AND DOES NOT PRECLUDE A PARTY FROM OBTAINING JURISDICTION OVER ANOTHER PARTY IN ANY COURT OTHERWISE HAVING JURISDICTION.



(c) EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS SPECIFIED IN SECTION 12.01 OR SUCH OTHER ADDRESS AS IS SPECIFIED PURSUANT TO SECTION 12.01 (OR ITS ASSIGNMENT AND ASSUMPTION), SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANOTHER PARTY IN ANY OTHER JURISDICTION.

(d) EACH PARTY HEREBY (i) IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN; (ii) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; PROVIDED THAT NOTHING CONTAINED IN THIS SECTION 12.09(d)(ii) SHALL LIMIT THE BORROWER'S INDEMNIFICATION OBLIGATIONS TO THE EXTENT SET FORTH IN SECTION 12.03 TO THE EXTENT SUCH SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARE INCLUDED IN ANY THIRD PARTY CLAIM IN CONNECTION WITH WHICH SUCH INDEMNITEE IS OTHERWISE ENTITLED TO INDEMNIFICATION HEREUNDER; (iii) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (iv) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 12.09.

Section 12.10 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 12.11 Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by

any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 12.11, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any Swap Agreement relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 12.11 or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender from a source other than the Borrower that, to such Person's knowledge, is not in violation of a confidentiality obligation. For the purposes of this Section 12.11, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary and their businesses, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower or a Subsidiary. Any Person required to maintain the confidentiality of Information as provided in this Section 12.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Borrower, the Borrower's Subsidiaries, the Administrative Agent, each Lender and the respective Affiliates of each of the foregoing (and the respective partners, directors, officers, employees, agents, advisors and other representatives of the aforementioned Persons), and any other party, may disclose to any and all Persons, without limitation of any kind (a) any information with respect to the United States federal and state income tax treatment of the transactions contemplated hereby and any facts that may be relevant to understanding the United States federal or state income tax treatment of such transactions ("tax structure"), which facts shall not include for this purpose the names of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or tax structure, and (b) all materials of any kind (including opinions or other tax analyses) that are provided to the Borrower, the Administrative Agent or such Lender relating to such tax treatment or tax structure.

Section 12.12 Interest Rate Limitation. It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of the United States of America and the State of Colorado or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Loans, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Loan Documents or agreements or otherwise in connection with the Loans shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the

Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of any Lender resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated, allocated and spread throughout the stated term of the Loans until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to any Lender on any date shall be computed at the Highest Lawful Rate applicable to such Lender pursuant to this Section 12.12 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 12.12.

Section 12.13 EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS."

Section 12.14 Collateral Matters: Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Indebtedness shall also extend to and be available to the Secured Swap Providers with respect to any Swap Agreement including any Swap Agreement in existence prior to the date hereof, but excluding any additional transactions or confirmations entered into (a) after such Secured Swap Provider ceases to be a Lender or an Affiliate of a Lender or (b) after assignment by a Secured Swap Provider to another Secured Swap Provider that is not a Lender or an Affiliate of a Lender. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Indebtedness shall further extend to and be available to each Bank Products Provider with respect to Bank Products, but only for so long as such Bank Products Provider is a Lender or an Affiliate of a Lender. No Lender or any Affiliate of a Lender shall have any voting or consent rights under any Loan Document as a result of the existence of obligations owed to it under any such Swap Agreements or Bank Products.

Section 12.15 No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans and the Issuing Bank to issue, amend, renew or extend Letters of Credit hereunder are solely for the benefit of the Borrower, and no other Person (including any Subsidiary of the Borrower, any obligor, contractor, subcontractor, supplier or materialsman) shall have any rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent, any other Agent, the Issuing Bank or any Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.16 USA Patriot Act Notice. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the USA Patriot Act.

Section 12.17 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Borrower and its Subsidiaries and the Administrative Agent or any Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether the Administrative Agent or any Lender has advised or is advising the Borrower or any Subsidiary on other matters; (ii) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Lenders are arm's-length commercial transactions between the Borrower and its Subsidiaries, on the one hand, and the Administrative Agent and the Lenders, on the other hand; (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate; and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Administrative Agent and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Subsidiaries, or any other Person; (ii) neither the Administrative Agent nor the Lenders has any obligation to the Borrower or any of its Subsidiaries with respect to the transactions contemplated hereby except

those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower and its Subsidiaries, and neither the Administrative Agent nor the Lenders has any obligation to disclose any of such interests to the Borrower or its Subsidiaries. To the fullest extent permitted by Law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 12.18 Acknowledgment Regarding Any Supported QFCs To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support, “QFC Credit Support” and, each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

Section 12.19 Acknowledgement and Consent to Bail In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write Down and Conversion Powers of the applicable Resolution Authority.

Section 12.20 Amendment and Restatement; No Novation; Existing Eurodollar Loans; Exiting Lenders.

(a) This Agreement constitutes an amendment and restatement of the Existing Credit Agreement, effective from and after the Effective Date. The execution and delivery of this Agreement shall not constitute a novation of any indebtedness or other obligations owing to the Lenders or the Administrative Agent under the Existing Credit Agreement based on facts or events occurring or existing prior to the execution and delivery of this Agreement. On the Effective Date, the credit facilities described in the Existing Credit Agreement, shall be amended, supplemented, modified and restated in their entirety by the facilities described herein, and all loans and other obligations of the Borrower outstanding as of such date under the Existing Credit Agreement, shall be deemed to be loans and obligations outstanding under the corresponding facilities described herein, without any further action by any Person, except that the Administrative Agent shall make such transfers of funds as are necessary in order that the outstanding balance of such Loans, together with any Loans funded on the Effective Date, reflect the respective Commitments of the Lenders hereunder.

(b) Notwithstanding anything to the contrary in this Agreement, all "Eurodollar Loans" (under and as defined in the Existing Credit Agreement as in effect immediately prior to giving effect to this Agreement) outstanding immediately prior to the effectiveness of this Agreement shall, on the Effective Date, be rearranged and converted into a new SOFR Borrowing consisting of SOFR Loans with an Interest Period of one-month's duration (commencing on the Effective Date), and which SOFR Loans shall thereafter be subject to the terms and conditions of this Agreement. In connection with such conversion, the Borrower shall deliver any such Borrowing Request as the Administrative Agent may reasonably request pursuant to Section 2.03. Each Lender hereby waives any break funding payments owing to such Lender that are required under Section 5.02 of the Existing Credit Agreement in connection with or as a result of this Section 12.20(b).

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(c) By its execution of this Agreement, each Exiting Lender hereby consents to this Agreement in its capacity as a Lender under the Credit Agreement solely for purposes of Section 12.02 of the Existing Credit Agreement. Each of the parties hereto hereby agrees and confirms that after giving effect to this Agreement, including after giving effect to the repayment of all Loans and accrued and unpaid interest and fees owing to each Exiting Lender, each Exiting Lender's Commitment shall be \$0.00, each Exiting Lender's Commitments to lend and all other obligations of each Exiting Lender under the Credit Agreement shall be terminated, and each Exiting Lender shall cease to be a Lender for all purposes under the Loan Documents

[SIGNATURES BEGIN NEXT PAGE]

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The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER:

VITESSE ENERGY, LLC, a Delaware limited liability company

By: /s/ Brain J. Cree

Name: Brain J. Cree

Title: President and Chief Operating Officer

[SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT—VITESSE ENERGY, LLC]



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ADMINISTRATIVE AGENT:

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

By: /s/ Zachary Kramer

Name: Zachary Kramer

Title: Director

[SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT—VITESSE ENERGY, LLC]

LENDERS:

FIFTH THIRD BANK, NATIONAL  
ASSOCIATION

By: /s/ Dan Condley

Name: Dan Condley

Title: Managing Director

[SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT--VITESSE ENERGY, LLC]

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BOKF, NA

By: /s/ Sonja Bruce

Name: Sonja Bruce

Title: Senior Vice President

[SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT—VITESSE ENERGY, LLC]

EXITING LENDER:

JPMORGAN CHASE BANK, N.A.

By: /s/ Jo Linda Papadakis

Name: Jo Linda Papadakis

Title: Authorized Officer

[SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT—VITESSE ENERGY, LLC]

**ANNEX I**  
**LIST OF MAXIMUM CREDIT AMOUNTS AND ELECTED COMMITMENTS**

<b><u>Name of Lender</u></b>	<b><u>Applicable Percentage</u></b>	<b><u>Elected Commitment</u></b>	<b><u>Maximum Credit Amount</u></b>
Wells Fargo Bank, N.A.	38.235294118%	\$65,000,000.00	\$191,176,470.59
Fifth Third Bank, National Association	38.235294118%	\$65,000,000.00	\$191,176,470.59
BOKF, NA	23.529411764%	\$40,000,000.00	\$117,647,058.82
<b>Total</b>	<b>100.000000000%</b>	<b>\$170,000,000.00</b>	<b>\$500,000,000.00</b>

**THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

THIS THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT (“*Agreement*”), effective as of February 18, 2020 (the “*Effective Date*”), is made by and among Vitesse Management Company LLC, a Delaware limited liability company (the “*Company*”), Robert W. Gerrity (“*Executive*”), Vitesse Energy, LLC, a Delaware limited liability company (“*Vitesse Energy*”), and Vitesse Oil, LLC, a Delaware limited liability company (“*Vitesse Oil*”) (each individually a “*Party*” or collectively the “*Parties*”).

**WITNESSETH:**

**WHEREAS**, Executive and the Company entered into that certain employment agreement, effective as of August 6, 2013 (the “*Initial Employment Agreement*”);

WHEREAS, the Initial Employment Agreement was amended and restated effective as of May 6, 2014, and again effective July 1, 2018 (the “*Original Effective Date*” and, the Initial Employment Agreement as so amended and restated, the “*Amended and Restated Employment Agreement*”);

**WHEREAS**, Vitesse Energy has previously entered into a Services Agreement, dated as of May 6, 2014, with the Company (the “*Vitesse Energy Services Agreement*”), Vitesse Oil has previously entered into an Amended and Restated Services Agreement, dated as of May 6, 2014, with the Company (the “*Vitesse Oil Services Agreement*”), and the Company has previously entered into a Services Agreement (the “*JETX Services Agreement*”) dated as of July 1, 2016, with JETX Energy, LLC (formerly known as Juneau Energy, LLC); and

**WHEREAS**, the Parties desire to amend and restate the Amended and Restated Employment Agreement as set forth herein.

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

**ARTICLE I  
DEFINITIONS**

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “**Affiliate**” means, with respect to a particular person or entity, any other person or entity which owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity. For purposes of this Agreement, (a) the Company and its Affiliates, on the one hand, and (b) Executive or any other Company Entity, on the other, shall not be deemed “Affiliates.”

1.2 “**Board**” shall mean the Board of Managers of Vitesse Energy, or an authorized committee thereof.

1.3 “Cause” shall mean a reasonable determination by the Board that Executive (a) has engaged in gross negligence, gross incompetence or willful misconduct in the performance of Executive’s duties with respect to any Company Entity, (b) has refused without proper legal reason to perform Executive’s duties and responsibilities to any Company Entity, (c) has materially breached any provision of Article VIII, any other provision of this Agreement or any future written agreement or corporate policy or code of conduct that may be established (and as may be amended from time to time) by any Company Entity, including the Company, Vitesse Energy and Vitesse Energy Parent, (d) has engaged in conduct that is materially injurious to any Company Entity, (e) has disclosed without specific authorization from the Company confidential information of any Company Entity that is materially injurious to any such Company Entity, (f) has committed an act of theft, fraud, embezzlement, misappropriation or breach of a fiduciary duty to any Company Entity, (g) has been convicted of (or pleaded no contest to) a crime involving fraud, dishonesty or moral turpitude or any felony (or a crime of similar import in a foreign jurisdiction), or (h) has, directly or indirectly (through a failure to put in place and enforce appropriate compliance controls and procedures), violated, or there appears to be, after due inquiry, a reasonable basis to conclude that Executive has violated, the Foreign Corrupt Practices Act of 1977, as amended.

1.4 “Code” shall mean the Internal Revenue Code of 1986, as amended.

1.5 “Company Entity” or “Company Entities” shall mean (a) the Company and its Affiliates as capitalized on the Effective Date and (b) any other entity for which the Company provides services, for so long as the Company provides services for such entity.

1.6 “Date of Termination” shall mean the date specified in the Notice of Termination relating to termination of Executive’s employment with the Company, subject to adjustment as provided in Section 3.3.

1.7 “Exchange Property Interests” has the meaning given to such term in the Vitesse Energy LLC Agreement.

1.8 “Good Reason” shall mean the occurrence of any of the following events:

- (a) a material diminution in Executive’s Base Salary or Bonus Payment;
- (b) a material diminution in Executive’s authority, duties, or responsibilities;

(c) the involuntary relocation of the geographic location of Executive’s principal place of employment by more than 75 miles from the location of Executive’s principal place of employment as of the Effective Date (as listed in Section 9.1); or

- (d) a material breach by the Company of a material provision of this Agreement.

Notwithstanding the foregoing provisions of this Section 1.8 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for “Good Reason” shall not be effective unless all of the following conditions are satisfied: (i) the condition described in this Section 1.8 giving rise to Executive’s termination of employment must have arisen without Executive’s consent; and (ii) (A) Executive must provide written notice to the

Company of such condition in accordance with Section 9.1 within 30 days of the initial existence of the condition, (B) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company and (C) the date of Executive's termination of employment must occur within 30 days after the expiration of the cure period set forth in clause (B) of this Section 1.8. This definition of "Good Reason" shall be construed and administered in accordance with the requirements of Treasury Regulation Section 1.409A-1(n)(2).

1.9 "**Notice of Termination**" shall mean a written notice delivered by the Company or Executive to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and the Date of Termination that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

1.10 "**Vitesse Energy LLC Agreement**" means the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, dated as of the Original Effective Date, as amended.

1.11 "**Vitesse Energy MIUs**" means the Management Incentive Units as defined in the Vitesse Energy LLC Agreement.

1.12 "**Vitesse Energy Parent**" means Jefferies Financial Group Inc., a New York corporation.

1.13 "**Vitesse Oil LLC Agreement**" means the First Amended and Restated Limited Liability Company Agreement of Vitesse Oil, dated as of November 25, 2013, as amended.

1.14 "**Vitesse Oil MIUs**" means the Management Incentive Units as defined in the Vitesse Oil LLC Agreement.

## ARTICLE II EMPLOYMENT AND DUTIES

2.1 **Employment; Effective Date.** The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of the Effective Date and continuing for the period of time set forth in Article III of this Agreement, subject to the terms and conditions of this Agreement.

2.2 **Positions.** From and after the Effective Date, Executive shall serve in the position of Chief Executive Officer of the Company or in such other position or positions as the Parties mutually may agree and shall report to the Board.

2.3 **Duties and Services.** Executive agrees to serve in the positions referred to in Section 2.2 and to perform diligently and to the best of Executive's abilities the usual and customary duties and services appertaining to such positions, as well as such additional duties and services as the Company may determine, including the proportionate amount of time spent with respect thereto, whether such duties and services be for the Company or any other Company Entity (the "**Company Duties**"). Executive's employment shall also be subject to the policies maintained and established by the Company, Vitesse Energy and Vitesse Energy Parent that are of general applicability to the employees of Company, Vitesse Energy or Vitesse Energy Parent, as applicable, as such policies may be amended from time to time.



2.4 **Other Interests.** Executive agrees, during the period of Executive's employment by the Company, to devote substantially all of Executive's business time, energy and best efforts to the business and affairs of the Company, unless otherwise expressly approved by the Company. Notwithstanding the foregoing, the Parties acknowledge and agree that Executive may (a) engage in and manage Executive's passive personal investments, (b) engage in charitable and civic activities, (c) own and manage any Exchange Property Interests, and (d) engage in such other activities that the Company and Executive mutually agree to; provided, however, that such activities shall be permitted so long as such activities do not conflict with the business and affairs of the Company or interfere with the performance of Executive's duties hereunder. In addition, the Company agrees that Executive may maintain Executive's existing investments and continue Executive's existing activities in Gerrity Bakken, LLC and its affiliates; provided, however, that Executive agrees that any future opportunities related to the Bakken shale that are not related to existing leases or acreages owned or held by Executive or Gerrity Bakken, LLC as of the Original Effective Date shall be offered to the Company first.

2.5 **Performance of Duties.** Executive represents and covenants that, other than with respect to (a) the Vitesse Energy LLC Agreement, (b) the Vitesse Oil LLC Agreement, (c) the Vitesse Energy Services Agreement, (d) the JETX Services Agreement, and (e) the Vitesse Oil Services Agreement, he is not the subject of or a party to or bound by any employment agreement, non-competition covenant, nondisclosure agreement, or any other agreement, covenant, understanding, or restriction that would prohibit Executive from executing this Agreement, and fully performing his duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect the duties and responsibilities that may now or in the future be assigned to Executive hereunder.

2.6 **Duty of Loyalty.** Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act in the best interests of the Company and to do no act that would materially injure the business, interests, or reputation of the Company. In keeping with these duties, Executive shall make full disclosure to the Company of all business opportunities pertaining to the business of the Company and shall not appropriate for Executive's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

2.7 **Conflicts of Interest.** Except with respect to Vitesse Energy and its Affiliates, on the one hand, and any other Company Entity (other than the Company) and its Affiliates, on the other, Executive agrees that he shall promptly disclose to the Company any conflict of interest involving Executive upon Executive becoming aware of such conflict.

### ARTICLE III TERM AND TERMINATION OF EMPLOYMENT

3.1 **Term.** Subject to the remaining terms of this Article III, this Agreement shall be for an initial term that begins on the Effective Date and continues in effect through December 31, 2023 (the "**Initial Term**"); provided that, either Party may give notice to the other Party on or prior to December 31, 2021 that the Initial Term of this Agreement will end on December 31, 2022;

provided further that, unless terminated sooner as herein provided, the term shall continue on a year to year basis after December 31, 2023 (each a "**Renewal Term**" and together with the Initial Term, the "**Term**"). If the Company or Executive elects not to renew this Agreement for a Renewal Term, the Company or Executive must give a Notice of Termination to the other Party at least 90 days before the expiration of the then-current Initial Term or Renewal Term, as applicable. If the Company elects not to renew this Agreement and Executive's employment with the Company is not terminated, Executive shall continue as an at-will employee of the Company and this Agreement shall terminate, subject to Section 9.11, at the end of the current Term.

3.2 **Company's Right to Terminate.** Notwithstanding the provisions of Section 3.1, the Company may terminate Executive's employment under this Agreement, with the prior written consent of the Board, at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive's duties or fulfill Executive's obligations under this Agreement by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than three months as determined by the Company and certified in writing by a competent medical physician jointly selected by Executive (or Executive's legally authorized representative) and the Board ("**Disability**"); or

(b) Executive's death; or

(c) for Cause; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company.

3.3 **Executive's Right to Terminate.** Notwithstanding the provisions of Section 3.1, Executive shall have the right to terminate Executive's employment under this Agreement for:

(a) Good Reason; or

(b) for any other reason whatsoever or no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination.

In the case of a termination of employment by Executive pursuant to this Section 3.3, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days, from the date such Notice of Termination is given, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination (and, if such earlier Date of Termination is so required, it shall not change the basis for Executive's termination nor be construed or interpreted as a termination of employment pursuant to Section 3.1 or 3.2).

3.4 **Deemed Resignations.** Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute an automatic resignation of Executive as an officer of the Company and each of its applicable Affiliates, and an automatic resignation of Executive from the Board (if applicable) and from the board of directors or similar governing body of any Affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company or any of its Affiliates holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such Affiliate's designee or other representative.

3.5 **Meaning of Termination of Employment.** For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a “separation from service” with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

#### ARTICLE IV COMPENSATION AND BENEFITS

4.1 **Base Salary.** During the Term, Executive shall receive a minimum, annualized base salary of \$500,000 (the “**Base Salary**”). Executive’s annualized base salary shall be reviewed periodically, but at least annually, by the Board, and, in the sole discretion of the Board, such annualized base salary may be increased effective as of any date so determined. Executive’s Base Salary shall be paid in equal installments in accordance with the standard policy of the Company regarding payment of compensation to executives but no less frequently than monthly.

4.2 **Bonuses.** During the Term, Executive shall receive the minimum<sup>1</sup> bonus compensation set forth below (“**Bonus Payment**”) to be paid by January 31<sup>st</sup> of the following year (except for the Bonus Payment for 2019, which shall be paid by February 29, 2020):

- (a) for the year ending December 31, 2019, \$800,000;
- (b) for the year ending December 31, 2020, \$925,000;
- (c) for the year ending December 31, 2021, \$1,050,000;
- (d) for the year ending December 31, 2022, \$1,175,000; and
- (e) for the year ending December 31, 2023 and thereafter, \$1,300,000.

Except as set forth in Section 7.1(b), (f) and (g), Executive must remain employed until the last day of the relevant calendar year in order to earn the Bonus Payment payable in respect of such calendar year.

4.3 **Benefits.** During the Term, Executive shall be entitled to receive all benefits of employment generally available to the Company’s other executive employees when and as such benefits, if any, become available and Executive becomes eligible for them, including any sick leave, medical, dental, life and disability insurance benefits, long-term incentive plan, stock option plan, pension plan and/or profit-sharing plan.

<sup>1</sup> NTD: “Minimum” added in the event significant work is provided by Executive outside of the scope of operating the Company Entities as they are currently operated or if consulting services are provided for non-Company Entities.

4.4 **Vacation and Leave.** Executive shall be entitled to paid vacation days in accordance with the policy of the Company and industry standards. Executive shall also be entitled to all paid holidays given by the Company to its employees generally.

4.5 **Expenses.** The Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than 30 days after receipt by the Company). In no event shall any reimbursement be made to Executive for such fees and expenses incurred after the date that is one month after the date of Executive's termination of employment with the Company.

4.6 **Offices.** Subject to Articles II, III, and IV, Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director or manager of any Company Entity and as a member of any committees of the board of directors or similar governing bodies of any such entities, and in one or more executive positions of any Company Entity.

4.7 **Vesting of Management Incentive Units.** Subject to the terms of the Vitesse Oil LLC Agreement and the Vitesse Energy LLC Agreement, as applicable, including for the avoidance of doubt, the Management Incentive Plan included as an exhibit thereto and any award letter issued with respect thereto, provided Executive has not incurred a termination of employment from the Effective Date through the applicable vesting dates:

- (a) the Vitesse Oil MIUs of Executive are fully vested; and
- (b) the Vitesse Energy MIUs of Executive are fully vested.

For the avoidance of doubt, no further vesting of Vitesse Oil MIUs or Vitesse Energy MIUs will occur following the termination of Executive's employment.

## ARTICLE V PROTECTION OF INFORMATION

5.1 **Disclosure to and Property of the Company.** For purposes of this Article V, any reference to "employment" or similar terms shall include a director, manager and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by Executive, individually or in conjunction with others, during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any Company Entity's business, trade secrets, products or services (including all such information relating to corporate opportunities, product specification, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or

production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, "**Confidential Information**") shall be retained for and, to the extent practicable, disclosed to the applicable Company Entity and are and shall be the sole and exclusive property of the applicable Company Entity (subject to the provisions of Section 2.4 relating to Gerrity Bakken, LLC). Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, specifications, computer programs, E-mail, voice mail, electronic databases, maps, architectural renditions, models and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression that are conceived, made, developed or acquired by Executive individually or in conjunction with others during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any Company Entity's business, trade secrets, products or services (collectively, "**Work Product**") are and shall be the sole and exclusive property of the applicable Company Entity. Executive agrees to perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Upon termination of Executive's employment by the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the applicable Company Entity.

5.2 **Disclosure to Executive.** The Company shall disclose to Executive, or place Executive in a position to have access to or develop, Confidential Information and Work Product of the Company Entities; and shall entrust Executive with business opportunities of the Company Entities; and shall place Executive in a position to develop business good will on behalf of the Company Entities.

5.3 **No Unauthorized Use or Disclosure.** Executive agrees to use reasonable efforts to preserve and protect the confidentiality of all Confidential Information and of all Work Product containing Confidential Information of the Company Entities. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company Entities, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Executive shall use all reasonable efforts to obligate all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent (a) such Confidential Information has become publicly available other than as a result of a breach of this Agreement by Executive, (b) the Confidential Information must be disclosed by Executive to perform his obligations and duties hereunder, (c) the Confidential Information is learned independently by the Executive without violation of a duty of confidentiality owed to the Company Entities, or (d) the disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. Executive agrees that all

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Confidential Information of the Company Entities (whether now or hereafter existing) conceived, discovered or made by Executive during the period of Executive's employment by the Company exclusively belongs to the applicable Company Entity (and not to Executive), and upon request by the Company for specified Confidential Information, Executive will promptly disclose such Confidential Information to the Company and perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, confidential information or work product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company Entities. Executive also agrees to use reasonable efforts to preserve and protect the confidentiality of such third-party Confidential Information and Work Product. Pursuant to the Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of any Confidential Information that (i) is made (A) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5.4 **Ownership.** If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the business, products, or services of one or more Company Entities, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, such applicable Company Entities shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the business, products, or services of one or more Company Entities is not prepared by Executive within the scope of Executive's employment but is specially ordered by such Company Entities as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and such applicable Company Entities shall be the author of the work. If the work relating to the business, products, or services of one or more Company Entities is either prepared by Executive within the scope of Executive's employment or a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does assign, to such applicable Company Entities all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.5 **Assistance by Executive.** During the period of Executive's employment by the Company, Executive shall assist each Company Entity, at any time, in the protection of such Company Entity's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by such applicable Company Entity and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request from time to time and expense of each Company Entity, Executive shall reasonably assist such Company Entity, at reasonable times and for reasonable periods and for reasonable compensation, in the protection of such Company Entity's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by such Company Entity and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

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5.6 **Remedies.** Executive acknowledges that each Company Entity is a third-party beneficiary of Executive's obligations to it under this Article V and has rights to enforce it as such, and that money damages would not be a sufficient remedy for any breach of this Article V by Executive, and the Company Entities shall be entitled to enforce the provisions of this Article V by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article V but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents.

**ARTICLE VI**  
**STATEMENTS CONCERNING COMPANY ENTITIES**

6.1 **Statements by Executive.** Executive shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about any Company Entity or its directors, managers, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose Confidential Information (other than Confidential Information that has become publicly available other than as a result of a breach of this Agreement by Executive) of any Company Entity or its business affairs, directors, managers, officers, employees, consultants, agents or representatives, or (c) place any Company Entity or its directors, managers, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. Executive acknowledges that each Company Entity is a third-party beneficiary of Executive's obligations to it under this Article VI and has rights to enforce it as such. The rights afforded under this Section 6.1 are in addition to any and all rights and remedies otherwise afforded by law. The foregoing notwithstanding, nothing shall prevent Executive from testifying in any legal proceeding pursuant to a subpoena or other legal process. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Additionally, the parties acknowledge and agree that Executive does not need the prior authorization of the Company to make any such reports or disclosures and Executive is not required to notify the Company that Executive has made such reports or disclosures.

**ARTICLE VII**  
**EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION**

**7.1 Effect of Termination of Employment on Compensation**

(a) *Benefit Obligation, Accrued Obligation and Bonus Obligation Defined.* For purposes of this Agreement, payment of the “**Benefit Obligation**” shall mean payment by the Company to Executive (or his designated beneficiary or legal representative, as applicable), in accordance with the terms of the applicable plan document, of all vested benefits to which Executive is entitled under the terms of the employee benefit plans and compensation arrangements in which Executive is a participant as of the Date of Termination. “**Accrued Obligation**” means the sum of (1) Executive’s Base Salary through the Date of Termination, (2) any accrued vacation pay earned by the Executive, and (3) any incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 4.5, in each case, to the extent not theretofore paid. “**Bonus Obligation**” means (i) Executive’s earned but unpaid Bonus Payment for any previously completed calendar year determined in accordance with Section 4.2 (“**Prior Year Bonus**”) and (ii) Executive’s pro-rata Bonus Payment earned through the Date of Termination for the applicable calendar year determined in accordance with Section 4.2 but prorated based on the number of days worked in the calendar year in which the Date of Termination occurs (“**Current Year Pro-Rata Bonus**”).

(b) *Disability; Death.* Except as otherwise provided in Section 7.1(g), if during the Term Executive’s employment is terminated pursuant to Section 3.2(a) or 3.2(b), the Company shall pay to Executive (or his designated beneficiary or legal representative, if applicable) the Accrued Obligation, the Prior Year Bonus (if not previously paid) and the Current Year Pro-Rata Bonus within 30 days following the Date of Termination. Following such payments, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive (or his designated beneficiary or legal representative, if applicable) the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements unless otherwise required by law.

(c) *By the Company for Cause.* If during the Term Executive’s employment is terminated by the Company pursuant to Section 3.2(c), the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payment, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(d) *By Executive Without Good Reason.* If during the Term Executive terminates his employment for any reason other than Good Reason, the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payments, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements. If during the Initial Term, Executive terminates his employment for any reason other than Good Reason, the Executive shall forfeit, if at all, the Vitesse Energy MIUs and Vitesse Oil MIUs, whether vested or unvested, at the time of such termination based on the following:



(i) If such termination occurs after December 31, 2019 but prior to December 31, 2020, Executive shall forfeit 1/3<sup>d</sup> of his Vitesse Energy MIUs and Vitesse Oil MIUs; and

(ii) If such termination occurs after December 31, 2020, no MIUs shall be forfeited.

(e) *At the End of the Term.* If during the Term either Party provides the other with a written notice of its election not to renew the Agreement and Executive's employment with the Company is terminated at the end of the Term, the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payments, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements unless otherwise required by law. The Party providing written notice of its election not to renew the Agreement to the other Party shall not have breached this Agreement if such notice is timely provided.

(f) *By the Company Without Cause or by Executive for Good Reason* If during the Term Executive's employment is terminated by the Company other than for Cause, death or Disability or if Executive terminates his employment for Good Reason, then, Executive shall receive the following benefits and compensation from the Company:

(i) the Company shall pay Executive the Accrued Obligation within 30 days following Executive's Date of Termination;

(ii) the Company shall pay Executive the Prior Year Bonus (if not previously paid) and the Current Year Pro-Rata Bonus within 30 days following Executive's Date of Termination;

(iii) the Company shall pay to Executive an amount equal to Executive's Base Salary and Bonus Payment for the remaining Initial Term with such amount payable, at Executive's election, in (a) a lump sum within 30 days following the date Executive executes and delivers the General Release to Company or (b) in 12 equal monthly installments commencing on the 60th day following Executive's Date of Termination; and

(iv) the Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(g) *Disability; Death While Performing Company Duties.* If during the Term Executive's employment is terminated due to Disability or death while performing Company Duties, the Company shall pay to Executive (or his designated beneficiary or legal representative, if applicable) the benefits and compensation as provided in [Section 7.1\(f\)](#).

Notwithstanding the foregoing, neither Executive, nor his estate, shall be permitted to specify the taxable year in which a payment described in Section 7.1(f) or this Section 7.1(g) shall be paid.

(h) *General Release of Claims*. Payments to Executive under this Section 7.1 (other than Accrued Obligations, Benefit Obligations and Bonus Obligations) are contingent upon Executive's execution of a release (the "*General Release*") substantially in the form attached hereto as Exhibit A within 50 days of Executive's Date of Termination that is not revoked by Executive during any applicable revocation period provided in such release (which shall release and discharge the Company Entities and their officers, directors, managers, employees and agents from any and all claims or causes of action of any kind or character, including all claims or causes of action arising out of Executive's employment with the Company or the termination of such employment).

## ARTICLE VIII NON-COMPETITION AGREEMENT

8.1 **Definitions**. As used in this Article VIII, the following terms shall have the following meanings:

(a) "**Business**" means any endeavor in which any Company Entity is engaged in during the Prohibited Period, and the provision of products or services that are substantially similar to the products or services provided by any business, partnership, firm, corporation or other entity which any Company Entity has made substantial progress toward acquiring on or before the Date of Termination. For the purposes of this definition, the execution by any Company Entity of a binding or non-binding letter of intent, term sheet, or similar agreement or a confidentiality agreement or similar agreement with respect to the acquisition of a business, partnership, firm, corporation or other entity on or before the Date of Termination shall constitute sufficient evidence of the Company Entity having made substantial progress towards acquiring such business, partnership, firm, corporation or other entity.

(b) "**Business Opportunity**" means any commercial, investment or other business opportunity relating to any Business.

(c) "**Competing Business**" means any business, individual, partnership, firm, corporation or other entity which wholly or in any significant part engages in any business competing with any Business in the Restricted Area other than the Exchange Property Interests and Gerrity Bakken, LLC or any of its Affiliates. In no event will any Company Entity, or, subject to the provisions of Section 2.4 of this Agreement, any Exchange Property Interests or Gerrity Bakken, LLC or any of its Affiliates, be deemed a Competing Business.

(d) "**Governmental Authority**" means any governmental, quasi-governmental, state, county, city or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

(e) “**Legal Requirement**” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards or controls including those arising under environmental laws) of any Governmental Authority.

(f) “**Prohibited Period**” means the period during which Executive is employed by the Company hereunder and if (i) Executive is terminated by the Company without Cause, the Company elects not to renew the Term for a Renewal Term pursuant to Section 3.1, or Executive terminates his employment with the Company for Good Reason, a period of six months following Executive’s Date of Termination or (ii) Executive’s employment with the Company is terminated for any reason other than as described in clause (i), a period of one year following Executive’s Date of Termination.

(g) “**Restricted Area**” means any county in which any Company Entity engages in any Business.

8.2 **Non-Competition; Non-Solicitation.** Executive and the Company agree to the non-competition and non-solicitation provisions of this Article VIII: (i) in consideration for the Confidential Information provided by the Company to Executive pursuant to Article V; (ii) as part of the consideration for the compensation and benefits to be paid to Executive hereunder; (iii) to protect the trade secrets and confidential information of the Company Entities disclosed or entrusted to Executive by the Company Entities or created or developed by Executive for the Company Entities, the business goodwill of the Company Entities developed through the efforts of Executive and/or the business opportunities disclosed or entrusted to Executive by the Company Entities; and (iv) as an additional incentive for the Company to enter into this Agreement.

(a) Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area and (ii) Executive will not, and Executive will cause Executive’s Affiliates not to, directly or indirectly, own, manage, operate, join, become an employee, partner, owner or member of (or an independent contractor to), control or participate in or loan money to, sell or lease equipment to or sell or lease real property to any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area.

(b) Executive further expressly covenants and agrees that during the Prohibited Period and subject to Section 2.4 related to Gerrity Bakken, LLC, Executive will not, and Executive will cause Executive’s Affiliates not to (i) engage or employ, or solicit or contact with a view to the engagement or employment of, any person who is an officer or employee of any Company Entity or (ii) canvass, solicit, approach or entice away or cause to be canvassed, solicited, approached or enticed away from any Company Entity any person who or which is a customer of any of such entities during the period during which Executive is employed by the Company.

(c) Executive further expressly covenants and agrees that during the Prohibited Period, Executive will not and Executive will cause Executive’s Affiliates not to appropriate any Business Opportunity of, or relating to, any Company Entity, or engage in any activity that is detrimental to such Company Entity or that limits such Company Entity’s ability to fully exploit such Business Opportunities or prevents the benefits of such Business Opportunities from accruing to such Company Entity.

(d) Executive expressly recognizes that Executive is a high-level, executive employee who will be provided with access to trade secrets as part of Executive's employment and that the restrictive covenants set forth in this Section 8.2 are reasonable and necessary in light of Executive's executive position and access to the Company Entities' trade secrets.

8.3 **Relief.** Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 8.2 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company Entities. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this Article VIII by Executive, and the Company Entities shall be entitled to enforce the provisions of this Article VIII by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article VIII but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents.

8.4 **Reasonableness; Enforcement.** Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this Article VIII. Executive acknowledges that the geographic scope and duration of the covenants contained in this Article VIII are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and geographic scope of the operations of any Business, (b) Executive's level of control over and contact with any Business in all jurisdictions in which it is conducted, (c) the fact that any Business is conducted throughout the Restricted Area and (d) the amount of compensation, trade secrets and Confidential Information that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the Parties that the provisions of this Article VIII be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this Article VIII invalid or unenforceable. It is specifically agreed that the period specified in Section 8.2 shall be computed by excluding from that computation any time during which Employee is in violation of any provision of Section 8.2.

8.5 **Reformation.** The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this Article VIII would cause irreparable injury to the applicable Company Entity. Executive expressly represents that enforcement of the restrictive covenants set forth in this Article VIII will not impose an undue hardship upon Executive or any person or entity Affiliated with Executive. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses anywhere in the Restricted Area during the Prohibited Period, but acknowledges that Executive will receive sufficiently high remuneration and other benefits from the Company to justify such restriction. Further, Executive acknowledges that Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the Parties intend for the restrictions herein

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set forth to be modified by the court making such determination so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable jurisdictions so that the entire agreement not to compete and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal.

**ARTICLE IX  
MISCELLANEOUS**

9.1 **Notices.** For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission or by email, as follows:

If to Executive, addressed to:

Robert W. Gerrity  
[\*\*\*]  
[\*\*\*]

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If to the Company, addressed to:

Vitesse Management Company LLC  
9200 E. Mineral Avenue, Suite 200  
Centennial, Colorado 80112  
Facsimile: 720-361-2501

With a copy (which shall not constitute notice) to:

George Hutchinson  
Jefferies Financial Group Inc.  
333 Clay St., Suite 1000  
Houston, TX 77002  
Facsimile: 832-463-4341

or to such other address as either Party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

**9.2 Applicable Law; Submission to Jurisdiction.**

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Colorado, without regard to conflicts of laws principles thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement, the Parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in the State of Colorado.

**9.3 Litigation.** Executive agrees to cooperate, in a reasonable and appropriate manner, with the Company and its attorneys, both during and after the termination of his employment, in connection with any litigation or other proceeding arising out of or relating to matters in which Executive was involved prior to the termination of his employment to the extent the Company pays all expenses Executive incurs in connection with such cooperation and to the extent such cooperation does not unduly interfere (as determined by Executive in good faith) with Executive's personal or professional schedule.

**9.4 Dispute Resolution.** Except as provided otherwise in Sections 5.6, 6.1 and 8.3, all claims, demands, causes of action, disputes, controversies or other matters in question ("**Claims**") arising out of this Agreement or Executive's service (or termination from service) with the Company, whether arising in contract, tort or otherwise and whether provided by statute, equity or common law, that any Company Entity may have against Executive or that Executive may have against any Company Entity, or against each of the foregoing entities' respective officers, directors, employees or agents in their capacity as such or otherwise, shall be settled in accordance with the procedures described in Section 9.4(a) and 9.4(b). Claims covered by this Section 9.4 include claims by Executive for breach of this Agreement, wrongful termination, discrimination (based on age, race, sex, disability, national origin, sexual orientation, or any other factor), harassment and retaliation.

(a) *Agreement to Negotiate.* First, the Parties shall attempt in good faith to resolve any Claims promptly by negotiations between Executive and executives or directors of the Company and its Affiliates who have authority to settle the Claims. Either Party may give the other disputing Party written notice of any Claim not resolved in the normal course of business. Within five days after the effective date of that notice, Executive and such executives or directors of the Company shall agree upon a mutually acceptable time and place to meet and shall meet at that time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Claim. The first of those meetings shall take place within 30 days of the date of the disputing Party's notice. If the Claim has not been resolved within 60 days of the date of the disputing Party's notice, or if the Parties fail to agree on a time and place for an initial meeting within five days of that notice, either Party may elect to undertake arbitration in accordance with Section 9.4(b).

(b) *Agreement to Arbitrate.* If a Claim is not resolved by negotiation pursuant to Section 9.4(a), such Claim must be resolved through arbitration regardless of whether the Claim involves claims that the Agreement is unlawful, unenforceable, void, or voidable or involves claims under statutory, civil or common law. Any arbitration shall be conducted in accordance with the then-current Employment Arbitration Rules of the American Arbitration Association ("AAA"). If a Party refuses to honor its obligations under this Section 9.4(b), the other Party may compel arbitration any federal or state court of competent jurisdiction. The arbitrator shall apply the substantive law of Colorado (excluding choice-of-law principles that might call for the application of some other jurisdiction's law) or federal law, or both as applicable to the Claims asserted. The arbitrator shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability or formation of this Agreement (including this Section 9.4), including any claim that all or part of the Agreement is void or voidable and any Claim that an issue is not subject to arbitration. The results of arbitration will be binding and conclusive on the Parties hereto. Any arbitrator's award or finding or any judgment or verdict thereon will be final and unappealable. The seat of arbitration shall be in the State of Colorado, and unless agreed otherwise by the Parties, all hearings shall take place at the seat. Any and all of the arbitrator's orders, decisions and awards may be enforceable in, and judgment upon any award rendered by the arbitrator may be confirmed and entered by any federal or state court having jurisdiction in Colorado. All evidentiary privileges under applicable state and federal law, including attorney-client, work product and party communication privileges, shall be preserved and protected. The decision of the arbitrator will be binding on all Parties. Arbitrations will be conducted in such a manner that the final decision of the arbitrator will be made and provided to Executive and the Company no later than 120 days after a matter is submitted to arbitration. All proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrators, shall be kept confidential by all Parties. Each Party shall pay its own attorneys fees and disbursements and other costs of arbitration. The Company shall pay all of the arbitrator's fees and related costs. EXECUTIVE ACKNOWLEDGES THAT, BY SIGNING THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT THAT EXECUTIVE MAY HAVE TO A JURY TRIAL OR A COURT TRIAL OF ANY SERVICE RELATED CLAIM ALLEGED BY EXECUTIVE.

9.5 **No Waiver.** No failure by either Party hereto at any time to give notice of any breach by the other Party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9.6 **Severability.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

9.7 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

9.8 **Withholding of Taxes and Other Employee Deductions.** The Company may withhold from any benefits and payments made pursuant to this Agreement (whether actually or constructively made to Executive or treated as included in Executive's income under Section 409A of the Code) all federal, state, city and other applicable taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

9.9 **References and Construction.** In this Agreement: (a) unless the context requires otherwise, all references in this Agreement to sections, subsections or other subdivisions shall be deemed to mean and refer to sections, subsections or other subdivisions of this Agreement; (b) titles appearing at the beginning of any subdivision are for convenience only and shall not constitute part of such subdivision and shall be disregarded in construing the language contained in such subdivision; (c) the words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited; (d) words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires; (e) pronouns in masculine, feminine and neuter genders shall be construed to include any other gender; (f) examples shall not be construed to limit, expressly or by implication, the matters they illustrate; (g) the word "or" is not exclusive and the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions; (h) no consideration shall be given to the fact or presumption that one party hereto had a greater or lesser hand in drafting this Agreement; (i) all references herein to "\$" or "dollars" shall refer to U.S. Dollars; and (j) unless the context otherwise requires or unless otherwise provided herein, any reference herein to a particular agreement, instrument or document shall also refer to and include all renewals, extensions, modifications, amendments or restatements of such agreement, instrument, or document.

9.10 **Successors.** This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the Parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either Party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other Party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.



9.11 **Term.** Termination of this Agreement shall not affect any right or obligation of any Party which is accrued or vested prior to such termination, except as set forth in Article VII. Without limiting the scope of the preceding sentence, the provisions of Articles V, VI, VII, VIII and IX shall survive any termination of the employment relationship and/or of this Agreement.

9.12 **Entire Agreement.** Except as provided in any signed written agreement contemporaneously or hereafter executed by any Company Entity and Executive, this Agreement and Exhibit A constitutes the entire agreement of the Parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the Parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof are hereby null and void and of no further force and effect.

9.13 **Modification; Waiver.** Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the Parties to this Agreement; provided that the Company may, with prospective or retroactive effect, amend this Agreement at any time (to the extent Executive is not adversely affected by such amendment), if determined to be necessary, appropriate or advisable in response to administrative guidance issued under Section 409A of the Code or to comply with the provisions of Section 409A of the Code.

9.14 **Compliance with Section 409A of the Code.** This Agreement is intended to provide payments and benefits that are exempt from or comply with the requirements of Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent any payment or benefit provided under this Agreement is subject to Section 409A, such benefit shall be provided in a manner that complies with Section 409A, including any IRS guidance promulgated with respect to Section 409A. In this regard, notwithstanding the foregoing provisions of this Agreement, if the payment of any severance compensation or severance benefits under Article VII would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code, and Executive constitutes a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code, then any such payments that Executive would otherwise be entitled to during the first six months following Executive's separation from service within the meaning of Section 409A(a)(2)(A)(i) of the Code shall be accumulated and paid on the date that is six months after Executive's separation from service (or if such payment date does not fall on a business day of the Company, the next following business day of the Company), or such earlier date upon which such amount can be paid under Section 409A of the Code without being subject to such additional taxes and interest.

9.15 **Vitesse Energy Guaranty.** Vitesse Energy hereby unconditionally and irrevocably guarantees to Executive the timely payment and performance of the financial obligations of the Company owed to Executive under this Agreement, arising after or attributable to any period after the Effective Date, upon the terms and conditions set forth herein. This guaranty provision is absolute, independent and continuing under all circumstances, and is a guaranty of payment and performance, not of collection. Vitesse Energy hereby acknowledges that Executive has given sufficient consideration for this guaranty provision by entering into this Agreement.

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*[EXECUTION PAGE FOLLOWS]*

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

**VITESSE MANAGEMENT COMPANY LLC**

By: /s/ Brian J. Cree  
Name: Brian J. Cree  
Title: President & CFO

**EXECUTIVE**

/s/ Robert W. Gerrity  
Robert W. Gerrity

**VITESSE ENERGY, LLC**

By: /s/ Brian J. Cree  
Name: Brian J. Cree  
Title: President & CFO

**VITESSE OIL, LLC**

By: /s/ Brian J. Cree  
Name: Brian J. Cree  
Title: President & CFO

*Signature Page to  
Third Amended and Restated Employment Agreement*

**Exhibit A**

Form of Waiver and Release Agreement

Vitesse Management Company LLC has offered to pay me certain benefits (the “Benefits”) pursuant to Section 7.1(f) of my Third Amended and Restated Employment Agreement with Vitesse Management Company LLC, effective as of February 18, 2020 (the “Employment Agreement”), which were offered to me in exchange for my agreement, among other things, to waive all of my claims against and release Vitesse Management Company LLC and its predecessors, successors and assigns (collectively referred to as the “Company”), its Affiliates (as defined in the Employment Agreement), and their respective directors and officers, employees and agents, insurers, employee benefit plans and the fiduciaries and agents of said plans (collectively the “Corporate Group”) from any and all claims, demands, actions, liabilities and damages arising out of or relating in any way to my employment with or separation from the Company; provided, however, that this Waiver and Release shall not apply to (1) any existing right I have to indemnification, contribution and a defense, (2) any directors and officers and general liability insurance coverage, (3) any rights I may have as a shareholder of any member of the Corporate Group, (4) any rights I have to the Benefit Obligations, Accrued Obligations and Bonus Obligations (as such terms are defined in the Employment Agreement), and (5) any rights which cannot be waived or released as a matter of law.

**I understand that signing this Waiver and Release is an important legal act. I acknowledge that the Company has advised me in writing to consult an attorney before signing this Waiver and Release and has given me at least 21 days from the day I received a copy of this Waiver and Release to sign it.**

In exchange for the payment to me of Benefits, I, among other things, (1) agree not to sue in any local, state and/or federal court regarding or relating in any way to my employment with or separation from the Company or the Affiliates, (2) knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to my employment with or separation from the Company or the Affiliates and (3) waive any rights that I may have under any of the Company’s involuntary severance benefit plans, except to the extent that my rights are vested under the terms of employee benefit plans sponsored by the Company or the Affiliates and except with respect to such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended (“Title VII”); the Age Discrimination in Employment Act of 1967, as amended, including the Older Workers Benefit Protection Act of 1990 (“ADEA”); the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990 (“ADA”); the Energy Reorganization Act, as amended, 42 U.S.C. §§ 5851; the Workers Adjustment and Retraining Notification Act of 1988; the Sarbanes-Oxley Act of 2002; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Fair Labor Standards Act; the Occupational Safety and Health Act; claims in connection with workers’ compensation statutes; and/or contract, tort, defamation, slander, wrongful termination or any other state or federal regulatory, statutory or common law. Further, I expressly represent that no promise or agreement which is not expressed in the Employment Agreement has been made to me in executing this Waiver and Release, and that I am relying on my own judgment in executing this Waiver and Release, and that I am not relying on any statement or representation of the Company, any of its Affiliates or any other member of the Corporate Group or any of their agents. I agree that this Waiver and Release is valid, fair, adequate and reasonable, is entered into with my full knowledge and consent, was not procured through fraud, duress or mistake and has not had the effect of misleading, misinforming or failing to inform me.

Notwithstanding the foregoing, nothing contained in this Waiver and Release is intended to prohibit or restrict me in any way from bringing a lawsuit against the Company to enforce the Company's obligations to pay me the Benefits. This release does not apply to any claims for unemployment compensation or any other claims or rights which, by law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however that Executive disclaims and waives any right to share or participate in any monetary award from the Company resulting from the prosecution of such charge or investigation or proceeding. Notwithstanding the foregoing or any other provision in this Waiver and Release or the Employment Agreement to the contrary, the Company and Executive further agree that nothing in this Waiver and Release or the Agreement (i) limits Executive's ability to file a charge or complaint with the EEOC, the NLRB, OSHA, the SEC or any other federal, state or local governmental agency or commission (each a "Government Agency" and collectively "Government Agencies"); (ii) limits Executive'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 and reporting possible violations of law or regulation or other disclosures protected under the whistleblower provisions of applicable law or regulation, without notice to the Company; or (iii) limits Executive's right to receive an award for information provided to any Government Agencies.

I understand that the Company knowingly and voluntarily waives any and all claims and releases me from any and all claims, demands, actions, liabilities, and damages, including attorneys' fees and costs, whether known or unknown, arising out of or relating in any way to my employment with or the performance of my duties for the Company or its Affiliates. Notwithstanding the foregoing, I understand that the Company is not waiving or releasing any action related to the commission of any crime or act of willful misconduct by me or releasing me from any of my obligations set forth in the Employment Agreement.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release. I acknowledge that this Waiver and Release and the Employment Agreement set forth the entire understanding and agreement between me and the Company or any other member of the Corporate Group concerning the subject matter of this Waiver and Release and supersede any prior or contemporaneous oral and/or written agreements or representations, if any, between me and the Company or any other member of the Corporate Group. **I understand that for a period of 7 calendar days following the date that I sign this Waiver and Release, I may revoke my acceptance of the offer, provided that my written statement of revocation is received on or before that seventh day by \_\_\_\_\_, Vitesse Management Company, LLC, 9200 E. Mineral Avenue, Suite 200, Centennial, Colorado 80112, facsimile number: 720-361-2501, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the Benefits. I understand that failure to revoke my acceptance of the offer within 7 calendar days from the date I sign this Waiver and Release will result in this Waiver and Release being permanent and irrevocable.**

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions and have it explained to me and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin, or disability and any other claims arising prior to the date of this Waiver and Release. By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions, or events of the Company or any other member of the Corporate Group which occur after the date of the execution of this Waiver and Release.

\_\_\_\_\_  
Employee's Printed Name

\_\_\_\_\_  
Company Representative

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Company's Execution Date

\_\_\_\_\_  
Employee's Signature Date

**THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

THIS THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT (“*Agreement*”), effective as of February 18, 2020 (the “*Effective Date*”), is made by and among Vitesse Management Company LLC, a Delaware limited liability company (the “*Company*”), Brian J. Cree (“*Executive*”), Vitesse Energy, LLC, a Delaware limited liability company (“*Vitesse Energy*”), and Vitesse Oil, LLC, a Delaware limited liability company (“*Vitesse Oil*”) (each individually a “*Party*” or collectively the “*Parties*”).

**WITNESSETH:**

**WHEREAS**, Executive and the Company entered into that certain employment agreement, effective as of August 6, 2013 (the “*Initial Employment Agreement*”);

WHEREAS, the Initial Employment Agreement was amended and restated effective as of May 6, 2014, and again effective July 1, 2018 (the “*Original Effective Date*” and, the Initial Employment Agreement as so amended and restated, the “*Amended and Restated Employment Agreement*”);

**WHEREAS**, Vitesse Energy has previously entered into a Services Agreement, dated as of May 6, 2014, with the Company (the “*Vitesse Energy Services Agreement*”), Vitesse Oil has previously entered into an Amended and Restated Services Agreement, dated as of May 6, 2014, with the Company (the “*Vitesse Oil Services Agreement*”), and the Company has previously entered into a Services Agreement (the “*JETX Services Agreement*”) dated as of July 1, 2016, with JETX Energy, LLC (formerly known as Juneau Energy, LLC); and

**WHEREAS**, the Parties desire to amend and restate the Amended and Restated Employment Agreement as set forth herein.

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Executive agree as follows:

**ARTICLE I  
DEFINITIONS**

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “**Affiliate**” means, with respect to a particular person or entity, any other person or entity which owns or controls, is owned or controlled by, or is under common ownership or control with, such particular person or entity. For purposes of this Agreement, (a) the Company and its Affiliates, on the one hand, and (b) Executive or any other Company Entity, on the other, shall not be deemed “Affiliates.”

1.2 “**Board**” shall mean the Board of Managers of Vitesse Energy, or an authorized committee thereof.

1.3 “Cause” shall mean a reasonable determination by the Board that Executive (a) has engaged in gross negligence, gross incompetence or willful misconduct in the performance of Executive’s duties with respect to any Company Entity, (b) has refused without proper legal reason to perform Executive’s duties and responsibilities to any Company Entity, (c) has materially breached any provision of Article VIII, any other provision of this Agreement or any future written agreement or corporate policy or code of conduct that may be established (and as may be amended from time to time) by any Company Entity, including the Company, Vitesse Energy and Vitesse Energy Parent, (d) has engaged in conduct that is materially injurious to any Company Entity, (e) has disclosed without specific authorization from the Company confidential information of any Company Entity that is materially injurious to any such Company Entity, (f) has committed an act of theft, fraud, embezzlement, misappropriation or breach of a fiduciary duty to any Company Entity, (g) has been convicted of (or pleaded no contest to) a crime involving fraud, dishonesty or moral turpitude or any felony (or a crime of similar import in a foreign jurisdiction), or (h) has, directly or indirectly (through a failure to put in place and enforce appropriate compliance controls and procedures), violated, or there appears to be, after due inquiry, a reasonable basis to conclude that Executive has violated, the Foreign Corrupt Practices Act of 1977, as amended.

1.4 “Code” shall mean the Internal Revenue Code of 1986, as amended.

1.5 “Company Entity” or “Company Entities” shall mean (a) the Company and its Affiliates as capitalized on the Effective Date and (b) any other entity for which the Company provides services, for so long as the Company provides services for such entity.

1.6 “Date of Termination” shall mean the date specified in the Notice of Termination relating to termination of Executive’s employment with the Company, subject to adjustment as provided in Section 3.3.

1.7 “Exchange Property Interests” has the meaning given to such term in the Vitesse Energy LLC Agreement.

1.8 “Good Reason” shall mean the occurrence of any of the following events:

- (a) a material diminution in Executive’s Base Salary or Bonus Payment;
- (b) a material diminution in Executive’s authority, duties, or responsibilities;
- (c) the involuntary relocation of the geographic location of Executive’s principal place of employment by more than 75 miles from the location of Executive’s principal place of employment as of the Effective Date (as listed in Section 9.1); or
- (d) a material breach by the Company of a material provision of this Agreement.



Notwithstanding the foregoing provisions of this Section 1.8 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for “Good Reason” shall not be effective unless all of the following conditions are satisfied: (i) the condition described in this Section 1.8 giving rise to Executive’s termination of employment must have arisen without Executive’s consent; and (ii) (A) Executive must provide written notice to the Company of such condition in accordance with Section 9.1 within 30 days of the initial existence of the condition, (B) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company and (C) the date of Executive’s termination of employment must occur within 30 days after the expiration of the cure period set forth in clause (B) of this Section 1.8. This definition of “Good Reason” shall be construed and administered in accordance with the requirements of Treasury Regulation Section 1.409A-1(n)(2).

1.9 “**Notice of Termination**” shall mean a written notice delivered by the Company or Executive to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive’s employment and the Date of Termination that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated.

1.10 “**Vitesse Energy LLC Agreement**” means the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, dated as of the Original Effective Date, as amended.

1.11 “**Vitesse Energy MIUs**” means the Management Incentive Units as defined in the Vitesse Energy LLC Agreement.

1.12 “**Vitesse Energy Parent**” means Jefferies Financial Group Inc., a New York corporation.

1.13 “**Vitesse Oil LLC Agreement**” means the First Amended and Restated Limited Liability Company Agreement of Vitesse Oil, dated as of November 25, 2013, as amended.

1.14 “**Vitesse Oil MIUs**” means the Management Incentive Units as defined in the Vitesse Oil LLC Agreement.

## **ARTICLE II EMPLOYMENT AND DUTIES**

2.1 **Employment; Effective Date.** The Company agrees to employ Executive, and Executive agrees to be employed by the Company, pursuant to the terms of this Agreement beginning as of the Effective Date and continuing for the period of time set forth in Article III of this Agreement, subject to the terms and conditions of this Agreement.

2.2 **Positions.** From and after the Effective Date, Executive shall serve in the position of President and Chief Financial Officer of the Company or in such other position or positions as the Parties mutually may agree and shall report to the Board.

2.3 **Duties and Services.** Executive agrees to serve in the positions referred to in Section 2.2 and to perform diligently and to the best of Executive’s abilities the usual and customary duties and services appertaining to such positions, as well as such additional duties and services as the Company may determine, including the proportionate amount of time spent with respect thereto, whether such duties and services be for the Company or any other Company

Entity (the “**Company Duties**”). Executive’s employment shall also be subject to the policies maintained and established by the Company, Vitesse Energy and Vitesse Energy Parent that are of general applicability to the employees of Company, Vitesse Energy or Vitesse Energy Parent, as applicable, as such policies may be amended from time to time.

2.4 **Other Interests.** Executive agrees, during the period of Executive’s employment by the Company, to devote substantially all of Executive’s business time, energy and best efforts to the business and affairs of the Company, unless otherwise expressly approved by the Company. Notwithstanding the foregoing, the Parties acknowledge and agree that Executive may (a) engage in and manage Executive’s passive personal investments, (b) engage in charitable and civic activities, (c) own and manage any Exchange Property Interests, and (d) engage in such other activities that the Company and Executive mutually agree to; provided, however, that such activities shall be permitted so long as such activities do not conflict with the business and affairs of the Company or interfere with the performance of Executive’s duties hereunder. In addition, the Company agrees that Executive may make capital investments in Gerrity Bakken, LLC and its affiliates; provided, however, that Executive agrees that any future opportunities related to the Bakken shale that are not related to existing leases or acreages owned or held by Executive or Gerrity Bakken, LLC as of the Original Effective Date shall be offered to the Company first.

2.5 **Performance of Duties.** Executive represents and covenants that, other than with respect to (a) the Vitesse Energy LLC Agreement, (b) the Vitesse Oil LLC Agreement, (c) the Vitesse Energy Services Agreement, (d) the JETX Services Agreement, and (e) the Vitesse Oil Services Agreement, he is not the subject of or a party to or bound by any employment agreement, non-competition covenant, nondisclosure agreement, or any other agreement, covenant, understanding, or restriction that would prohibit Executive from executing this Agreement, and fully performing his duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect the duties and responsibilities that may now or in the future be assigned to Executive hereunder.

2.6 **Duty of Loyalty.** Executive acknowledges and agrees that Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act in the best interests of the Company and to do no act that would materially injure the business, interests, or reputation of the Company. In keeping with these duties, Executive shall make full disclosure to the Company of all business opportunities pertaining to the business of the Company and shall not appropriate for Executive’s own benefit business opportunities concerning the subject matter of the fiduciary relationship.

2.7 **Conflicts of Interest.** Except with respect to Vitesse Energy and its Affiliates, on the one hand, and any other Company Entity (other than the Company) and its Affiliates, on the other, Executive agrees that he shall promptly disclose to the Company any conflict of interest involving Executive upon Executive becoming aware of such conflict.

**ARTICLE III**  
**TERM AND TERMINATION OF EMPLOYMENT**

3.1 **Term.** Subject to the remaining terms of this Article III, this Agreement shall be for an initial term that begins on the Effective Date and continues in effect through December 31, 2023 (the “**Initial Term**”); provided that, either Party may give notice to the other Party on or prior to December 31, 2021 that the Initial Term of this Agreement will end on December 31, 2022; provided further that, unless terminated sooner as herein provided, the term shall continue on a year to year basis after December 31, 2023 (each a “**Renewal Term**” and together with the Initial Term, the “**Term**”). If the Company or Executive elects not to renew this Agreement for a Renewal Term, the Company or Executive must give a Notice of Termination to the other Party at least 90 days before the expiration of the then-current Initial Term or Renewal Term, as applicable. If the Company elects not to renew this Agreement and Executive’s employment with the Company is not terminated, Executive shall continue as an at-will employee of the Company and this Agreement shall terminate, subject to Section 9.11, at the end of the current Term.

3.2 **Company’s Right to Terminate.** Notwithstanding the provisions of Section 3.1, the Company may terminate Executive’s employment under this Agreement, with the prior written consent of the Board, at any time for any of the following reasons by providing Executive with a Notice of Termination:

(a) upon Executive being unable to perform Executive’s duties or fulfill Executive’s obligations under this Agreement by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than three months as determined by the Company and certified in writing by a competent medical physician jointly selected by Executive (or Executive’s legally authorized representative) and the Board (“**Disability**”); or

(b) Executive’s death; or

(c) for Cause; or

(d) for any other reason whatsoever or for no reason at all, in the sole discretion of the Company.

3.3 **Executive’s Right to Terminate.** Notwithstanding the provisions of Section 3.1, Executive shall have the right to terminate Executive’s employment under this Agreement for:

(a) Good Reason; or

(b) for any other reason whatsoever or no reason at all, in the sole discretion of Executive, by providing the Company with a Notice of Termination.

In the case of a termination of employment by Executive pursuant to this Section 3.3, the Date of Termination specified in the Notice of Termination shall not be less than 15 nor more than 60 days, from the date such Notice of Termination is given, and the Company may require a Date of Termination earlier than that specified in the Notice of Termination (and, if such earlier Date of Termination is so required, it shall not change the basis for Executive’s termination nor be construed or interpreted as a termination of employment pursuant to Section 3.1 or 3.2).

3.4 **Deemed Resignations.** Unless otherwise agreed to in writing by the Company and Executive prior to the termination of Executive's employment, any termination of Executive's employment shall constitute an automatic resignation of Executive as an officer of the Company and each of its applicable Affiliates, and an automatic resignation of Executive from the Board (if applicable) and from the board of directors or similar governing body of any Affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability entity or other entity in which the Company or any of its Affiliates holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such Affiliate's designee or other representative.

3.5 **Meaning of Termination of Employment.** For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder.

#### ARTICLE IV COMPENSATION AND BENEFITS

4.1 **Base Salary.** During the Term, Executive shall receive a minimum, annualized base salary of \$400,000 (the "**Base Salary**"). Executive's annualized base salary shall be reviewed periodically, but at least annually, by the Board, and, in the sole discretion of the Board, such annualized base salary may be increased effective as of any date so determined. Executive's Base Salary shall be paid in equal installments in accordance with the standard policy of the Company regarding payment of compensation to executives but no less frequently than monthly.

4.2 **Bonuses.** During the Term, Executive shall receive a minimum<sup>1</sup> bonus compensation set forth below ("**Bonus Payment**") to be paid by January 31<sup>st</sup> of the following year (except for the Bonus Payment for 2019, which shall be paid by February 29, 2020):

- (a) for the year ending December 31, 2019, \$500,000;
- (b) for the year ending December 31, 2020, \$575,000;
- (c) for the year ending December 31, 2021, \$650,000;
- (d) for the year ending December 31, 2022, \$725,000; and
- (e) for the year ending December 31, 2023 and thereafter, \$800,000.

Except as set forth in Section 7.1(b), (f) and (g), Executive must remain employed until the last day of the relevant calendar year in order to earn the Bonus Payment payable in respect of such calendar year.

4.3 **Benefits.** During the Term, Executive shall be entitled to receive all benefits of employment generally available to the Company's other executive employees when and as such benefits, if any, become available and Executive becomes eligible for them, including any sick leave, medical, dental, life and disability insurance benefits, long-term incentive plan, stock option plan, pension plan and/or profit-sharing plan.

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<sup>1</sup> NTD: "Minimum" added in the event significant work is provided by Executive outside the scope of operating the Company Entities as they are currently operated or if consulting services are provided for non-Company Entities.

4.4 **Vacation and Leave.** Executive shall be entitled to paid vacation days in accordance with the policy of the Company and industry standards. Executive shall also be entitled to all paid holidays given by the Company to its employees generally.

4.5 **Expenses.** The Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than 30 days after receipt by the Company). In no event shall any reimbursement be made to Executive for such fees and expenses incurred after the date that is one month after the date of Executive's termination of employment with the Company.

4.6 **Offices.** Subject to Articles II, III, and IV, Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director or manager of any Company Entity and as a member of any committees of the board of directors or similar governing bodies of any such entities, and in one or more executive positions of any Company Entity.

4.7 **Vesting of Management Incentive Units.** Subject to the terms of the Vitesse Oil LLC Agreement and the Vitesse Energy LLC Agreement, as applicable, including for the avoidance of doubt, the Management Incentive Plan included as an exhibit thereto and any award letter issued with respect thereto, provided Executive has not incurred a termination of employment from the Effective Date through the applicable vesting dates:

- (a) the Vitesse Oil MIUs of Executive are fully vested; and
- (b) the Vitesse Energy MIUs of Executive are fully vested.

For the avoidance of doubt, no further vesting of Vitesse Oil MIUs or Vitesse Energy MIUs will occur following the termination of Executive's employment.

## ARTICLE V PROTECTION OF INFORMATION

5.1 **Disclosure to and Property of the Company.** For purposes of this Article V, any reference to "employment" or similar terms shall include a director, manager and/or consulting relationship. All information, trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by Executive, individually or in conjunction with others, during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any Company Entity's business, trade secrets, products or services (including all such information relating to corporate

opportunities, product specification, compositions, manufacturing and distribution methods and processes, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or production, marketing and merchandising techniques, prospective names and marks) and all writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression (collectively, "**Confidential Information**") shall be retained for and, to the extent practicable, disclosed to the applicable Company Entity and are and shall be the sole and exclusive property of the applicable Company Entity (subject to the provisions of Section 2.4 relating to Gerrity Bakken, LLC). Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, specifications, computer programs, E-mail, voice mail, electronic databases, maps, architectural renditions, models and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression that are conceived, made, developed or acquired by Executive individually or in conjunction with others during the period of Executive's employment by the Company (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any Company Entity's business, trade secrets, products or services (collectively, "**Work Product**") are and shall be the sole and exclusive property of the applicable Company Entity. Executive agrees to perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. Upon termination of Executive's employment by the Company, for any reason, Executive promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to the applicable Company Entity.

5.2 **Disclosure to Executive.** The Company shall disclose to Executive, or place Executive in a position to have access to or develop, Confidential Information and Work Product of the Company Entities; and shall entrust Executive with business opportunities of the Company Entities; and shall place Executive in a position to develop business good will on behalf of the Company Entities.

5.3 **No Unauthorized Use or Disclosure.** Executive agrees to use reasonable efforts to preserve and protect the confidentiality of all Confidential Information and of all Work Product containing Confidential Information of the Company Entities. Executive agrees that Executive will not, at any time during or after Executive's employment with the Company, make any unauthorized disclosure of, and Executive shall not remove from the Company premises, Confidential Information or Work Product of the Company Entities, or make any use thereof, except, in each case, in the carrying out of Executive's responsibilities hereunder. Executive shall use all reasonable efforts to obligate all persons or entities to whom any Confidential Information shall be disclosed by Executive hereunder to preserve and protect the confidentiality of such Confidential Information. Executive shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent (a) such Confidential Information has become publicly available other than as a result of a breach of this Agreement by Executive, (b) the Confidential Information must be disclosed by Executive to perform his obligations and duties hereunder, (c) the Confidential Information is learned independently by the Executive without violation of a duty of confidentiality owed to the Company Entities, or (d) the disclosure thereof is specifically required by law; provided, however, that in the event disclosure is required

by applicable law, Executive shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order. At the request of the Company at any time, Executive agrees to deliver to the Company all Confidential Information that Executive may possess or control. Executive agrees that all Confidential Information of the Company Entities (whether now or hereafter existing) conceived, discovered or made by Executive during the period of Executive's employment by the Company exclusively belongs to the applicable Company Entity (and not to Executive), and upon request by the Company for specified Confidential Information, Executive will promptly disclose such Confidential Information to the Company and perform all actions reasonably requested by the Company to establish and confirm such exclusive ownership. As a result of Executive's employment by the Company, Executive may also from time to time have access to, or knowledge of, confidential information or work product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of the Company Entities. Executive also agrees to use reasonable efforts to preserve and protect the confidentiality of such third-party Confidential Information and Work Product. Pursuant to the Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of any Confidential Information that (i) is made (A) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**5.4 Ownership.** If, during Executive's employment by the Company, Executive creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to the business, products, or services of one or more Company Entities, whether such work is created solely by Executive or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), including any Work Product, such applicable Company Entities shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work relating to the business, products, or services of one or more Company Entities is not prepared by Executive within the scope of Executive's employment but is specially ordered by such Company Entities as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and such applicable Company Entities shall be the author of the work. If the work relating to the business, products, or services of one or more Company Entities is either prepared by Executive within the scope of Executive's employment or a work specially ordered that is deemed to be a work made for hire during Executive's employment by the Company, then Executive hereby agrees to assign, and by these presents does assign, to such applicable Company Entities all of Executive's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.5 **Assistance by Executive.** During the period of Executive's employment by the Company, Executive shall assist each Company Entity, at any time, in the protection of such Company Entity's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by such applicable Company Entity and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries. After Executive's employment with the Company terminates, at the request from time to time and expense of each Company Entity, Executive shall reasonably assist such Company Entity, at reasonable times and for reasonable periods and for reasonable compensation, in the protection of such Company Entity's worldwide right, title and interest in and to Confidential Information and Work Product and the execution of all formal assignment documents requested by such Company Entity and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

5.6 **Remedies.** Executive acknowledges that each Company Entity is a third-party beneficiary of Executive's obligations to it under this Article V and has rights to enforce it as such, and that money damages would not be a sufficient remedy for any breach of this Article V by Executive, and the Company Entities shall be entitled to enforce the provisions of this Article V by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article V but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents.

## ARTICLE VI STATEMENTS CONCERNING COMPANY ENTITIES

6.1 **Statements by Executive.** Executive shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about any Company Entity or its directors, managers, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose Confidential Information (other than Confidential Information that has become publicly available other than as a result of a breach of this Agreement by Executive) of any Company Entity or its business affairs, directors, managers, officers, employees, consultants, agents or representatives, or (c) place any Company Entity or its directors, managers, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. Executive acknowledges that each Company Entity is a third-party beneficiary of Executive's obligations to it under this Article VI and has rights to enforce it as such. The rights afforded under this Section 6.1 are in addition to any and all rights and remedies otherwise afforded by law. The foregoing notwithstanding, nothing shall prevent Executive from testifying in any legal proceeding pursuant to a subpoena or other legal process. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Additionally, the parties acknowledge and agree that Executive does not need the prior authorization of the Company to make any such reports or disclosures and Executive is not required to notify the Company that Executive has made such reports or disclosures.



**ARTICLE VII**  
**EFFECT OF TERMINATION OF EMPLOYMENT ON COMPENSATION**

**7.1 Effect of Termination of Employment on Compensation**

(a) *Benefit Obligation, Accrued Obligation and Bonus Obligation Defined.* For purposes of this Agreement, payment of the “**Benefit Obligation**” shall mean payment by the Company to Executive (or his designated beneficiary or legal representative, as applicable), in accordance with the terms of the applicable plan document, of all vested benefits to which Executive is entitled under the terms of the employee benefit plans and compensation arrangements in which Executive is a participant as of the Date of Termination. “**Accrued Obligation**” means the sum of (1) Executive’s Base Salary through the Date of Termination, (2) any accrued vacation pay earned by the Executive, and (3) any incurred but unreimbursed expenses for which Executive is entitled to reimbursement in accordance with Section 4.5, in each case, to the extent not theretofore paid. “**Bonus Obligation**” means (i) Executive’s earned but unpaid Bonus Payment for any previously completed calendar year determined in accordance with Section 4.2 (“**Prior Year Bonus**”) and (ii) Executive’s pro-rata Bonus Payment earned through the Date of Termination for the applicable calendar year determined in accordance with Section 4.2 but prorated based on the number of days worked in the calendar year in which the Date of Termination occurs (“**Current Year Pro-Rata Bonus**”).

(b) *Disability; Death.* Except as otherwise provided in Section 7.1(g), if during the Term Executive’s employment is terminated pursuant to Section 3.2(a) or 3.2(b), the Company shall pay to Executive (or his designated beneficiary or legal representative, if applicable) the Accrued Obligation, the Prior Year Bonus (if not previously paid) and the Current Year Pro-Rata Bonus within 30 days following the Date of Termination. Following such payments, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive (or his designated beneficiary or legal representative, if applicable) the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements unless otherwise required by law.

(c) *By the Company for Cause.* If during the Term Executive’s employment is terminated by the Company pursuant to Section 3.2(c), the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payment, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(d) *By Executive Without Good Reason.* If during the Term Executive terminates his employment for any reason other than Good Reason, the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payment, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit

Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements. If during the Initial Term, Executive terminates his employment for any reason other than Good Reason, the Executive shall forfeit, if at all, the Vitesse Energy MIUs and Vitesse Oil MIUs, whether vested or unvested, at the time of such termination based on the following:

(i) If such termination occurs after December 31, 2019 but prior to December 31, 2020, Executive shall forfeit 1/3<sup>d</sup> of his Vitesse Energy MIUs and Vitesse Oil MIUs; and

(ii) If such termination occurs after December 31, 2020, no MIUs shall be forfeited.

(e) *At the End of the Term.* If during the Term either Party provides the other with a written notice of its election not to renew the Agreement and Executive's employment with the Company is terminated at the end of the Term, the Company shall pay to Executive the Accrued Obligation and the Prior Year Bonus (if not previously paid) within 30 days following the Date of Termination. Following such payments, the Company shall have no further obligations to Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements unless otherwise required by law. The Party providing written notice of its election not to renew the Agreement to the other Party shall not have breached this Agreement if such notice is timely provided.

(f) *By the Company Without Cause or by Executive for Good Reason* If during the Term Executive's employment is terminated by the Company other than for Cause, death or Disability or if Executive terminates his employment for Good Reason, then, Executive shall receive the following benefits and compensation from the Company:

(i) the Company shall pay Executive the Accrued Obligation within 30 days following Executive's Date of Termination;

(ii) the Company shall pay Executive the Prior Year Bonus (if not previously paid) and the Current Year Pro-Rata Bonus within 30 days following Executive's Date of Termination;

(iii) the Company shall pay to Executive an amount equal to Executive's Base Salary and Bonus Payment for the remaining Initial Term with such amount payable, at Executive's election, in (a) a lump sum within 30 days following the date Executive executes and delivers the General Release to Company or (b) in 12 equal monthly installments commencing on the 60th day following Executive's Date of Termination; and

(iv) the Company shall pay Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(g) *Disability; Death While Performing Company Duties.* If during the Term Executive's employment is terminated due to Disability or death while performing Company Duties, the Company shall pay to Executive (or his designated beneficiary or legal representative, if applicable) the benefits and compensation as provided in Section 7.1(f).

Notwithstanding the foregoing, neither Executive, nor his estate, shall be permitted to specify the taxable year in which a payment described in Section 7.1(f) or this Section 7.1(g) shall be paid.

(h) *General Release of Claims.* Payments to Executive under this Section 7.1 (other than Accrued Obligations, Benefit Obligations and Bonus Obligations) are contingent upon Executive's execution of a release (the "*General Release*") substantially in the form attached hereto as Exhibit A within 50 days of Executive's Date of Termination that is not revoked by Executive during any applicable revocation period provided in such release (which shall release and discharge the Company Entities and their officers, directors, managers, employees and agents from any and all claims or causes of action of any kind or character, including all claims or causes of action arising out of Executive's employment with the Company or the termination of such employment).

## ARTICLE VIII NON-COMPETITION AGREEMENT

8.1 **Definitions.** As used in this Article VIII, the following terms shall have the following meanings:

(a) "*Business*" means any endeavor in which any Company Entity is engaged in during the Prohibited Period, and the provision of products or services that are substantially similar to the products or services provided by any business, partnership, firm, corporation or other entity which any Company Entity has made substantial progress toward acquiring on or before the Date of Termination. For the purposes of this definition, the execution by any Company Entity of a binding or non-binding letter of intent, term sheet, or similar agreement or a confidentiality agreement or similar agreement with respect to the acquisition of a business, partnership, firm, corporation or other entity on or before the Date of Termination shall constitute sufficient evidence of the Company Entity having made substantial progress towards acquiring such business, partnership, firm, corporation or other entity.

(b) "*Business Opportunity*" means any commercial, investment or other business opportunity relating to any Business.

(c) "*Competing Business*" means any business, individual, partnership, firm, corporation or other entity which wholly or in any significant part engages in any business competing with any Business in the Restricted Area other than the Exchange Property Interests and Gerrity Bakken, LLC or any of its Affiliates. In no event will any Company Entity, or, subject to the provisions of Section 2.4 of this Agreement, any Exchange Property Interests or Gerrity Bakken, LLC or any of its Affiliates, be deemed a Competing Business.

(d) “**Governmental Authority**” means any governmental, quasi-governmental, state, county, city or other political subdivision of the United States or any other country, or any agency, court or instrumentality, foreign or domestic, or statutory or regulatory body thereof.

(e) “**Legal Requirement**” means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement (including any of the foregoing that relates to environmental standards or controls, energy regulations and occupational, safety and health standards or controls including those arising under environmental laws) of any Governmental Authority.

(f) “**Prohibited Period**” means the period during which Executive is employed by the Company hereunder and if (i) Executive is terminated by the Company without Cause, the Company elects not to renew the Term for a Renewal Term pursuant to Section 3.1, or Executive terminates his employment with the Company for Good Reason, a period of six months following Executive’s Date of Termination or (ii) Executive’s employment with the Company is terminated for any reason other than as described in clause (i), a period of one year following Executive’s Date of Termination.

(g) “**Restricted Area**” means any county in which any Company Entity engages in any Business.

8.2 **Non-Competition; Non-Solicitation.** Executive and the Company agree to the non-competition and non-solicitation provisions of this Article VIII; (i) in consideration for the Confidential Information provided by the Company to Executive pursuant to Article V; (ii) as part of the consideration for the compensation and benefits to be paid to Executive hereunder; (iii) to protect the trade secrets and confidential information of the Company Entities disclosed or entrusted to Executive by the Company Entities or created or developed by Executive for the Company Entities, the business goodwill of the Company Entities developed through the efforts of Executive and/or the business opportunities disclosed or entrusted to Executive by the Company Entities; and (iv) as an additional incentive for the Company to enter into this Agreement.

(a) Executive expressly covenants and agrees that during the Prohibited Period (i) Executive will refrain from carrying on or engaging in, directly or indirectly, any Competing Business in the Restricted Area and (ii) Executive will not, and Executive will cause Executive’s Affiliates not to, directly or indirectly, own, manage, operate, join, become an employee, partner, owner or member of (or an independent contractor to), control or participate in or loan money to, sell or lease equipment to or sell or lease real property to any business, individual, partnership, firm, corporation or other entity which engages in a Competing Business in the Restricted Area.

(b) Executive further expressly covenants and agrees that during the Prohibited Period and subject to Section 2.4 related to Gerrity Bakken, LLC, Executive will not, and Executive will cause Executive’s Affiliates not to (i) engage or employ, or solicit or contact with a view to the engagement or employment of, any person who is an officer or employee of any Company Entity or (ii) canvass, solicit, approach or entice away or cause to be canvassed, solicited, approached or enticed away from any Company Entity any person who or which is a customer of any of such entities during the period during which Executive is employed by the Company.

(c) Executive further expressly covenants and agrees that during the Prohibited Period, Executive will not and Executive will cause Executive's Affiliates not to appropriate any Business Opportunity of, or relating to, any Company Entity, or engage in any activity that is detrimental to such Company Entity or that limits such Company Entity's ability to fully exploit such Business Opportunities or prevents the benefits of such Business Opportunities from accruing to such Company Entity.

(d) Executive expressly recognizes that Executive is a high-level, executive employee who will be provided with access to trade secrets as part of Executive's employment and that the restrictive covenants set forth in this Section 8.2 are reasonable and necessary in light of Executive's executive position and access to the Company Entities' trade secrets.

8.3 **Relief.** Executive and the Company agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Section 8.2 are reasonable and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company Entities. Executive and the Company also acknowledge that money damages would not be sufficient remedy for any breach of this Article VIII by Executive, and the Company Entities shall be entitled to enforce the provisions of this Article VIII by terminating payments then owing to Executive under this Agreement or otherwise and to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article VIII but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and Executive's agents.

8.4 **Reasonableness; Enforcement.** Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of this Article VIII. Executive acknowledges that the geographic scope and duration of the covenants contained in this Article VIII are the result of arm's-length bargaining and are fair and reasonable in light of (a) the nature and geographic scope of the operations of any Business, (b) Executive's level of control over and contact with any Business in all jurisdictions in which it is conducted, (c) the fact that any Business is conducted throughout the Restricted Area and (d) the amount of compensation, trade secrets and Confidential Information that Executive is receiving in connection with the performance of Executive's duties hereunder. It is the desire and intent of the Parties that the provisions of this Article VIII be enforced to the fullest extent permitted under applicable Legal Requirements, whether now or hereafter in effect and therefore, to the extent permitted by applicable Legal Requirements, Executive and the Company hereby waive any provision of applicable Legal Requirements that would render any provision of this Article VIII invalid or unenforceable. It is specifically agreed that the period specified in Section 8.2 shall be computed by excluding from that computation any time during which Employee is in violation of any provision of Section 8.2.

8.5 **Reformation.** The Company and Executive agree that the foregoing restrictions are reasonable under the circumstances and that any breach of the covenants contained in this Article VIII would cause irreparable injury to the applicable Company Entity. Executive expressly represents that enforcement of the restrictive covenants set forth in this Article VIII will not impose an undue hardship upon Executive or any person or entity Affiliated with Executive. Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses anywhere in the Restricted Area during the Prohibited Period, but acknowledges that Executive will receive sufficiently high remuneration and other benefits from the Company to justify such restriction. Further, Executive acknowledges that Executive's skills are such that Executive can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent Executive from earning a living. Nevertheless, if any of the aforesaid restrictions are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the Parties intend for the restrictions herein set forth to be modified by the court making such determination so as to be reasonable and enforceable and, as so modified, to be fully enforced. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make this provision enforceable under the law or laws of all applicable jurisdictions so that the entire agreement not to compete and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal.

**ARTICLE IX  
MISCELLANEOUS**

9.1 **Notices.** For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission or by email, as follows:

If to Executive, addressed to:

Brian J. Cree

[\*\*\*]

[\*\*\*]

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If to the Company, addressed to:

Vitesse Management Company LLC  
9200 E. Mineral Avenue, Suite 200  
Centennial, Colorado 80112  
Facsimile: 720-361-2501

With a copy (which shall not constitute notice) to:

George Hutchinson  
Jefferies Financial Group Inc.  
333 Clay St., Suite 1000  
Houston, TX 77002  
Facsimile: 832-463-4341

or to such other address as either Party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

9.2 **Applicable Law; Submission to Jurisdiction.**

(a) This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Colorado, without regard to conflicts of laws principles thereof.

(b) With respect to any claim or dispute related to or arising under this Agreement, the Parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in the State of Colorado.

9.3 **Litigation.** Executive agrees to cooperate, in a reasonable and appropriate manner, with the Company and its attorneys, both during and after the termination of his employment, in connection with any litigation or other proceeding arising out of or relating to matters in which Executive was involved prior to the termination of his employment to the extent the Company pays all expenses Executive incurs in connection with such cooperation and to the extent such cooperation does not unduly interfere (as determined by Executive in good faith) with Executive's personal or professional schedule.

9.4 **Dispute Resolution.** Except as provided otherwise in Sections 5.6, 6.1 and 8.3, all claims, demands, causes of action, disputes, controversies or other matters in question ("**Claims**") arising out of this Agreement or Executive's service (or termination from service) with the Company, whether arising in contract, tort or otherwise and whether provided by statute, equity or common law, that any Company Entity may have against Executive or that Executive may have against any Company Entity, or against each of the foregoing entities' respective officers, directors, employees or agents in their capacity as such or otherwise, shall be settled in accordance with the procedures described in Section 9.4(a) and 9.4(b). Claims covered by this Section 9.4 include claims by Executive for breach of this Agreement, wrongful termination, discrimination (based on age, race, sex, disability, national origin, sexual orientation, or any other factor), harassment and retaliation.

(a) *Agreement to Negotiate.* First, the Parties shall attempt in good faith to resolve any Claims promptly by negotiations between Executive and executives or directors of the Company and its Affiliates who have authority to settle the Claims. Either Party may give the other disputing Party written notice of any Claim not resolved in the normal course of business. Within five days after the effective date of that notice, Executive and such executives or directors of the Company shall agree upon a mutually acceptable time and place to meet and shall meet at that time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Claim. The first of those meetings shall take place within 30 days of the date of the disputing Party's notice. If the Claim has not been resolved within 60 days of the date of the disputing Party's notice, or if the Parties fail to agree on a time and place for an initial meeting within five days of that notice, either Party may elect to undertake arbitration in accordance with Section 9.4(b).

(b) *Agreement to Arbitrate.* If a Claim is not resolved by negotiation pursuant to Section 9.4(a), such Claim must be resolved through arbitration regardless of whether the Claim involves claims that the Agreement is unlawful, unenforceable, void, or voidable or involves claims under statutory, civil or common law. Any arbitration shall be conducted in accordance with the then-current Employment Arbitration Rules of the American Arbitration Association ("AAA"). If a Party refuses to honor its obligations under this Section 9.4(b), the other Party may compel arbitration any federal or state court of competent jurisdiction. The arbitrator shall apply the substantive law of Colorado (excluding choice-of-law principles that might call for the application of some other jurisdiction's law) or federal law, or both as applicable to the Claims asserted. The arbitrator shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability or formation of this Agreement (including this Section 9.4), including any claim that all or part of the Agreement is void or voidable and any Claim that an issue is not subject to arbitration. The results of arbitration will be binding and conclusive on the Parties hereto. Any arbitrator's award or finding or any judgment or verdict thereon will be final and unappealable. The seat of arbitration shall be in the State of Colorado, and unless agreed otherwise by the Parties, all hearings shall take place at the seat. Any and all of the arbitrator's orders, decisions and awards may be enforceable in, and judgment upon any award rendered by the arbitrator may be confirmed and entered by any federal or state court having jurisdiction in Colorado. All evidentiary privileges under applicable state and federal law, including attorney-client, work product and party communication privileges, shall be preserved and protected. The decision of the arbitrator will be binding on all Parties. Arbitrations will be conducted in such a manner that the final decision of the arbitrator will be made and provided to Executive and the Company no later than 120 days after a matter is submitted to arbitration. All proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrators, shall be kept confidential by all Parties. Each Party shall pay its own attorneys fees and disbursements and other costs of arbitration. The Company shall pay all of the arbitrator's fees and related costs. EXECUTIVE ACKNOWLEDGES THAT, BY SIGNING THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT THAT EXECUTIVE MAY HAVE TO A JURY TRIAL OR A COURT TRIAL OF ANY SERVICE RELATED CLAIM ALLEGED BY EXECUTIVE.



9.5 **No Waiver.** No failure by either Party hereto at any time to give notice of any breach by the other Party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9.6 **Severability.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

9.7 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

9.8 **Withholding of Taxes and Other Employee Deductions** The Company may withhold from any benefits and payments made pursuant to this Agreement (whether actually or constructively made to Executive or treated as included in Executive's income under Section 409A of the Code) all federal, state, city and other applicable taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

9.9 **References and Construction.** In this Agreement: (a) unless the context requires otherwise, all references in this Agreement to sections, subsections or other subdivisions shall be deemed to mean and refer to sections, subsections or other subdivisions of this Agreement; (b) titles appearing at the beginning of any subdivision are for convenience only and shall not constitute part of such subdivision and shall be disregarded in construing the language contained in such subdivision; (c) the words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited; (d) words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires; (e) pronouns in masculine, feminine and neuter genders shall be construed to include any other gender; (f) examples shall not be construed to limit, expressly or by implication, the matters they illustrate; (g) the word "or" is not exclusive and the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions; (h) no consideration shall be given to the fact or presumption that one party hereto had a greater or lesser hand in drafting this Agreement; (i) all references herein to "\$" or "dollars" shall refer to U.S. Dollars; and (j) unless the context otherwise requires or unless otherwise provided herein, any reference herein to a particular agreement, instrument or document shall also refer to and include all renewals, extensions, modifications, amendments or restatements of such agreement, instrument, or document.

9.10 **Successors.** This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. Except as provided in the preceding sentence, this Agreement, and the rights and obligations of the Parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either Party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other Party. In addition, any payment owed to Executive hereunder after the date of Executive's death shall be paid to Executive's estate.

9.11 **Term.** Termination of this Agreement shall not affect any right or obligation of any Party which is accrued or vested prior to such termination, except as set forth in Article VII. Without limiting the scope of the preceding sentence, the provisions of Articles V, VI, VII, VIII and IX shall survive any termination of the employment relationship and/or of this Agreement.

9.12 **Entire Agreement.** Except as provided in any signed written agreement contemporaneously or hereafter executed by any Company Entity and Executive, this Agreement and Exhibit A constitutes the entire agreement of the Parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the Parties with respect to employment of Executive by the Company. Without limiting the scope of the preceding sentence, all understandings and agreements preceding the date of execution of this Agreement and relating to the subject matter hereof are hereby null and void and of no further force and effect.

9.13 **Modification; Waiver.** Any modification to or waiver of this Agreement will be effective only if it is in writing and signed by the Parties to this Agreement; provided that the Company may, with prospective or retroactive effect, amend this Agreement at any time (to the extent Executive is not adversely affected by such amendment), if determined to be necessary, appropriate or advisable in response to administrative guidance issued under Section 409A of the Code or to comply with the provisions of Section 409A of the Code.

9.14 **Compliance with Section 409A of the Code.** This Agreement is intended to provide payments and benefits that are exempt from or comply with the requirements of Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent any payment or benefit provided under this Agreement is subject to Section 409A, such benefit shall be provided in a manner that complies with Section 409A, including any IRS guidance promulgated with respect to Section 409A. In this regard, notwithstanding the foregoing provisions of this Agreement, if the payment of any severance compensation or severance benefits under Article VII would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code, and Executive constitutes a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code, then any such payments that Executive would otherwise be entitled to during the first six months following Executive's separation from service within the meaning of Section 409A(a)(2)(A)(i) of the Code shall be accumulated and paid on the date that is six months after Executive's separation from service (or if such payment date does not fall on a business day of the Company, the next following business day of the Company), or such earlier date upon which such amount can be paid under Section 409A of the Code without being subject to such additional taxes and interest.

9.15 **Vitesse Energy Guaranty.** Vitesse Energy hereby unconditionally and irrevocably guarantees to Executive the timely payment and performance of the financial obligations of the Company owed to Executive under this Agreement, arising after or attributable to any period after the Effective Date, upon the terms and conditions set forth herein. This guaranty provision is absolute, independent and continuing under all circumstances, and is a guaranty of payment and performance, not of collection. Vitesse Energy hereby acknowledges that Executive has given sufficient consideration for this guaranty provision by entering into this Agreement.

*[EXECUTION PAGE FOLLOWS]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

**VITESSE MANAGEMENT COMPANY LLC**

By: /s/ Robert W. Gerrity  
Name: Robert W. Gerrity  
Title: Chief Executive Officer

**EXECUTIVE**

/s/ Brian J. Cree  
Brian J. Cree

**VITESSE ENERGY, LLC**

By: /s/ Robert W. Gerrity  
Name: Robert W. Gerrity  
Title: Chief Executive Officer

**VITESSE OIL, LLC**

By: /s/ Robert W. Gerrity  
Name: Robert W. Gerrity  
Title: Chief Executive Officer

*Signature Page to  
Third Amended and Restated Employment Agreement*

## Exhibit A

### Form of Waiver and Release Agreement

Vitesse Management Company LLC has offered to pay me certain benefits (the "Benefits") pursuant to Section 7.1(f) of my Third Amended and Restated Employment Agreement with Vitesse Management Company LLC, effective as of February 18, 2020 (the "Employment Agreement"), which were offered to me in exchange for my agreement, among other things, to waive all of my claims against and release Vitesse Management Company LLC and its predecessors, successors and assigns (collectively referred to as the "Company"), its Affiliates (as defined in the Employment Agreement), and their respective directors and officers, employees and agents, insurers, employee benefit plans and the fiduciaries and agents of said plans (collectively the "Corporate Group") from any and all claims, demands, actions, liabilities and damages arising out of or relating in any way to my employment with or separation from the Company; provided, however, that this Waiver and Release shall not apply to (1) any existing right I have to indemnification, contribution and a defense, (2) any directors and officers and general liability insurance coverage, (3) any rights I may have as a shareholder of any member of the Corporate Group, (4) any rights I have to the Benefit Obligations, Accrued Obligations and Bonus Obligations (as such terms are defined in the Employment Agreement), and (5) any rights which cannot be waived or released as a matter of law.

**I understand that signing this Waiver and Release is an important legal act. I acknowledge that the Company has advised me in writing to consult an attorney before signing this Waiver and Release and has given me at least 21 days from the day I received a copy of this Waiver and Release to sign it.**

In exchange for the payment to me of Benefits, I, among other things, (1) agree not to sue in any local, state and/or federal court regarding or relating in any way to my employment with or separation from the Company or the Affiliates, (2) knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to my employment with or separation from the Company or the Affiliates and (3) waive any rights that I may have under any of the Company's involuntary severance benefit plans, except to the extent that my rights are vested under the terms of employee benefit plans sponsored by the Company or the Affiliates and except with respect to such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended ("Title VII"); the Age Discrimination in Employment Act of 1967, as amended, including the Older Workers Benefit Protection Act of 1990 ("ADEA"); the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990 ("ADA"); the Energy Reorganization Act, as amended, 42 U.S.C. §§ 5851; the Workers Adjustment and Retraining Notification Act of 1988; the Sarbanes-Oxley Act of 2002; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Fair Labor Standards Act; the Occupational Safety and Health Act; claims in connection with workers' compensation statutes; and/or contract, tort, defamation, slander, wrongful termination or any other state or federal regulatory, statutory or common law. Further, I expressly represent that no promise or agreement which is not expressed in the Employment Agreement has been made to me in executing this Waiver and Release, and that I am relying on my own judgment in executing this Waiver and Release, and that I am not relying on any statement or representation of the Company, any of its Affiliates or any other member of the Corporate Group or any of their agents. I agree that this Waiver and Release is valid, fair, adequate and reasonable, is entered into with my full knowledge and consent, was not procured through fraud, duress or mistake and has not had the effect of misleading, misinforming or failing to inform me.

Notwithstanding the foregoing, nothing contained in this Waiver and Release is intended to prohibit or restrict me in any way from bringing a lawsuit against the Company to enforce the Company's obligations to pay me the Benefits. This release does not apply to any claims for unemployment compensation or any other claims or rights which, by law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however that Executive disclaims and waives any right to share or participate in any monetary award from the Company resulting from the prosecution of such charge or investigation or proceeding. Notwithstanding the foregoing or any other provision in this Waiver and Release or the Employment Agreement to the contrary, the Company and Executive further agree that nothing in this Waiver and Release or the Agreement (i) limits Executive's ability to file a charge or complaint with the EEOC, the NLRB, OSHA, the SEC or any other federal, state or local governmental agency or commission (each a "Government Agency" and collectively "Government Agencies"); (ii) limits Executive'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 and reporting possible violations of law or regulation or other disclosures protected under the whistleblower provisions of applicable law or regulation, without notice to the Company; or (iii) limits Executive's right to receive an award for information provided to any Government Agencies.

I understand that the Company knowingly and voluntarily waives any and all claims and releases me from any and all claims, demands, actions, liabilities, and damages, including attorneys' fees and costs, whether known or unknown, arising out of or relating in any way to my employment with or the performance of my duties for the Company or its Affiliates. Notwithstanding the foregoing, I understand that the Company is not waiving or releasing any action related to the commission of any crime or act of willful misconduct by me or releasing me from any of my obligations set forth in the Employment Agreement.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release. I acknowledge that this Waiver and Release and the Employment Agreement set forth the entire understanding and agreement between me and the Company or any other member of the Corporate Group concerning the subject matter of this Waiver and Release and supersede any prior or contemporaneous oral and/or written agreements or representations, if any, between me and the Company or any other member of the Corporate Group. **I understand that for a period of 7 calendar days following the date that I sign this Waiver and Release, I may revoke my acceptance of the offer, provided that my written statement of revocation is received on or before that seventh day by \_\_\_\_\_, Vitesse Management Company, LLC, 9200 E. Mineral Avenue, Suite 200, Centennial, Colorado 80112, facsimile number: 720-361-2501, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the Benefits. I understand that failure to revoke my acceptance of the offer within 7 calendar days from the date I sign this Waiver and Release will result in this Waiver and Release being permanent and irrevocable.**

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions and have it explained to me and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin, or disability and any other claims arising prior to the date of this Waiver and Release. By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions, or events of the Company or any other member of the Corporate Group which occur after the date of the execution of this Waiver and Release.

\_\_\_\_\_  
Employee's Printed Name

\_\_\_\_\_  
Company Representative

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Company's Execution Date

\_\_\_\_\_  
Employee's Signature Date

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been confidentially submitted with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Exhibit 99.1

PRELIMINARY AND SUBJECT TO COMPLETION, DATED AUGUST 30, 2022

**INFORMATION STATEMENT**  
**Vitesse Energy, Inc.**  
**Common Stock**  
(par value \$0.01)

We are sending you this Information Statement in connection with the spin-off by Jefferies Financial Group Inc., which we refer to as “Jefferies,” of its newly formed indirect majority owned subsidiary, Vitesse Energy, Inc., which we refer to as “Vitesse” or “we.” Prior to the spin-off, Vitesse will acquire all of the issued and outstanding equity interests of Vitesse Energy, LLC, which we refer to as “Vitesse Energy,” and Vitesse Oil, LLC, which we refer to as “Vitesse Oil,” which together represent substantially all of those businesses or investments of Jefferies that acquire, develop, manage and monetize non-operated oil and natural gas working, royalty and mineral interests in the United States, primarily in the Bakken and Three Forks formations in the Williston Basin in North Dakota and Montana. Following Vitesse’s acquisitions of Vitesse Energy and Vitesse Oil and a series of transactions described in this Information Statement, Jefferies will hold approximately [ ]% of the total issued and outstanding Vitesse common stock immediately prior to the spin-off. To effect the spin-off, Jefferies will distribute all of the issued and outstanding shares of Vitesse common stock held by Jefferies to the holders of Jefferies common stock on a pro-rata basis. After the distribution, Jefferies will not own any shares of Vitesse common stock. The distribution of Vitesse common stock is intended to be tax-free to Jefferies shareholders for U.S. federal income tax purposes, except for cash that shareholders receive in lieu of fractional shares and subject to the discussion in the section entitled “The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off—Consequences to Holders of Jefferies Common Stock.” You should consult your own tax advisor as to the tax consequences of the distribution to you, including potential tax consequences under state, local and non-U.S. tax laws.

If you are a record holder of Jefferies common stock as of the close of business on [ ], 2022, which is the record date for the distribution, for every [ ] shares of Jefferies common stock you hold on that date, you will be entitled to receive [ ] shares of Vitesse common stock. Jefferies will distribute the shares of Vitesse common stock in book-entry form, which means that we will not issue physical stock certificates. The distribution agent will not distribute any fractional shares of Vitesse common stock. Instead, the distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, to each holder pro rata (net of any required withholding for taxes applicable to each holder) in lieu of any fractional share to which the holder otherwise would have been entitled to receive in the distribution. As discussed in the section entitled “The Spin-Off—Trading Prior to the Distribution Date,” if you sell your shares of Jefferies common stock in the “regular-way” market after the record date and on or before the distribution date, you also will be selling your right to receive shares of Vitesse common stock in connection with the distribution.

We expect that the distribution will be effective as of [ ], New York City time, on [ ], 2022. Immediately after the distribution becomes effective, Vitesse will be an independent, publicly traded company.

**Jefferies shareholders are not required to vote on or take any other action in connection with the spin-off. We are not asking you for a proxy and you are requested not to send us a proxy.** Jefferies shareholders will not be required to pay any consideration for the shares of Vitesse common stock they receive in the spin-off, and they will not be required to surrender or exchange their shares of Jefferies common stock or take any other action in connection with the spin-off.

No trading market for Vitesse common stock currently exists. We expect, however, that a limited trading market for Vitesse common stock, commonly known as a “when-issued” trading market, will develop on or shortly before the record date for the distribution, and we expect “regular-way” trading of Vitesse common stock will begin on the first trading day after the distribution date. We intend to list Vitesse common stock on the New York Stock Exchange under the ticker symbol “VTS.” Following the distribution, Jefferies will continue to trade on the New York Stock Exchange under the ticker symbol “JEF.”

**We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012.**

**In reviewing this Information Statement, you should carefully consider the matters described in the section entitled “[Risk Factors](#)” beginning on page 25 of this Information Statement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.**

**This Information Statement is not an offer to sell, or a solicitation of an offer to buy, any securities.**

The date of this Information Statement is [ ], 2022.

**A Notice of Internet Availability of Information Statement Materials containing instructions describing how to access this Information Statement was first mailed to Jefferies shareholders on or about [ ], 2022.**

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## GLOSSARY

In this Information Statement, unless the context otherwise requires:

- “3B Energy” refers to 3B Energy, LLC, the holder of a minority of the equity interests in Vitesse Energy prior to the Pre-Spin-Off Transactions and an entity owned by Bob Gerrity, our Chief Executive Officer and a member of our Board, and Brian Cree, our President and Chief Operating Officer;
- “Amended and Restated Bylaws” refers to the bylaws of Vitesse that will be in effect immediately prior to the Distribution Date;
- “Amended and Restated Certificate of Incorporation” refers to the certificate of incorporation of Vitesse that will be in effect immediately prior to the Distribution Date;
- “AST” refers to American Stock Transfer and Trust Company, LLC;
- “Basin” refers to a large natural depression on the earth’s surface in which sediments generally brought by water accumulate;
- the “Board” refers to our board of directors;
- “Bbl” refers to one stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to oil, condensate or NGLs;
- “Boe” refers to barrels of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil and at a ratio of one Bbl of NGL to one Bbl of oil;
- “Boe/d” refers to one Boe per day;
- “Btu” refers to a British thermal unit, which is the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit;
- “completion” refers to the process of preparing an oil and natural gas wellbore for production through the installation of permanent production equipment, as well as perforation and fracture stimulation to optimize production of oil, natural gas and/or NGLs;
- “condensate” refers to a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature;
- “CAA” refers to the Clean Air Act;
- “Cawley” refers to Cawley, Gillespie & Associates, Inc.;
- “CERCLA” refers to the Comprehensive Environmental, Response, Compensation, and Liability Act;
- “CFTC” refers to the Commodities Futures Trading Commission;
- the “Code” refers to the Internal Revenue Code of 1986, as amended;
- “COVID-19” refers to the SARS-CoV-2 novel coronavirus and known variants;
- “CWA” refers to the Federal Water Pollution Control Act of 1972;
- “DGCL” refers to the General Corporation Law of the State of Delaware;
- “Differential” refers to an adjustment to the price of oil or natural gas from an established spot market price to reflect differences in the quality and/or location of oil or natural gas;
- the “Distribution” refers to the transaction in which Jefferies will distribute to its shareholders all outstanding shares of our common stock held by Jefferies;
- the “Distribution Date” refers to the date on which the Distribution occurs;
- the “Dodd-Frank Act” refers to the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- the “DOI” refers to the Department of the Interior;
- “dry hole” refers to a well found to be incapable of producing oil and natural gas in sufficient quantities to justify completion;
- the “EPA” refers to the Environmental Protection Agency;
- the “ESA” refers to the Endangered Species Act;
- “ESG” refers to environmental, social and governance;
- “Exchange Act” refers to the Securities Exchange Act of 1934;

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- “Existing Revolving Credit Facility” refers to Vitesse Energy’s Amended and Restated Credit Agreement, dated as of April 29, 2022, as amended from time to time, among Vitesse Energy, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto;
- “FERC” refers to the Federal Energy Regulatory Commission;
- “FTC” refers to the Federal Trade Commission;
- “GAAP” refers to accounting principles generally accepted in the United States;
- “Gerrity Bakken” refers to Gerrity Bakken, LLC, the holder of a minority of the equity interests in Vitesse Oil and an entity owned by Bob Gerrity, our Chief Executive Officer and a member of our Board;
- “GHGs” refer to greenhouse gases;
- “gross acres” refers to the total acres in which a working interest is owned;
- “gross wells” refers to the total wells in which a working interest is owned;
- “IPOs” refer to initial public offerings;
- “IRS” refers to the Internal Revenue Service;
- “IRS Ruling” refers to a private letter ruling being sought by Jefferies from the IRS;
- “Jefferies” refers to Jefferies Financial Group Inc. and its consolidated subsidiaries other than, for all periods following the Spin-Off, Vitesse, unless the context requires otherwise;
- “Jefferies Board” refers to Jefferies’ board of directors;
- “Jefferies Capital Partners” refers to Jefferies Capital Partners V L.P. and Jefferies SBI USA Fund L.P., collectively, the holders of a majority of the equity interests in Vitesse Oil and entities in which Jefferies holds an indirect limited partner interest;
- “Jefferies Parties” refers to Jefferies, Jefferies Capital Partners and [                    ];
- “MBbls” refers to one thousand barrels of oil or NGLs;
- “MBoe” refers to one thousand barrels of oil equivalent;
- “Mcf” refers to one thousand cubic feet of natural gas;
- “MMBoe” refers to one million barrels of oil equivalent;
- “MMBtu” refers to one million British thermal units;
- “MMcf” refers to one million cubic feet of natural gas;
- “net acres” refers to the sum of the fractional working interests owned in gross acres (e.g., a 10% working interest in a lease covering 1,280 gross acres is equivalent to 128 net acres);
- “net wells” refers to wells that are deemed to exist when the sum of fractional ownership working interests in gross wells equals one;
- “NEPA” refers to the National Environmental Policy Act;
- “New Revolving Credit Facility” refers to Vitesse’s senior secured revolving credit facility in effect following the completion of the Spin-Off;
- “NGLs” refer to natural gas liquids;
- “NSPS” refers to New Source Performance Standards;
- “NYMEX” refers to the New York Mercantile Exchange;
- “NYSE” refers to the New York Stock Exchange;
- “OPEC” refers to the Organization of Petroleum Exporting Countries;
- “OPA” refers to the Oil Pollution Act of 1990;
- “OTC” refers to the over-the-counter market;
- “PDP” or “proved developed producing” refers to proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods;
- “PDNP” or “proved developed non-producing” refers to proved reserves that are developed behind pipe and are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to the start of production;
- “PHMSA” refers to the Pipeline and Hazardous Materials Safety Administration;

- “possible reserves” refers to the additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves;
- “Pre-Spin-Off Transactions” refers to the series of transactions, including Vitesse’s acquisitions of Vitesse Energy and Vitesse Oil, described under “The Spin-Off—Pre-Spin-Off Transactions”;
- “probable reserves” refers to the additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered;
- “productive well” refers to a well that is found to be capable of producing oil and natural gas in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes;
- “proved developed reserves” refers to proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of new equipment or operating methods is relatively minor compared to the cost of a new well;
- “proved reserves” refers to the quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time;
- “PUD” or “proved undeveloped” refers to proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for development. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years unless specific circumstances justify a longer time. Under no circumstances shall estimates of proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty;
- “RCRA” refers to the Federal Resource Conservation and Recovery Act;
- “Record Date” refers to [                      ], 2022;
- “reserves” refers to estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project;
- “SDWA” refers to the Safe Drinking Water Act;
- “SEC” refers to the Securities and Exchange Commission;
- “Securities Act” refers to Securities Act of 1933;
- “Stockholder Nominee” refers to a candidate for the Board who is nominated by stockholders pursuant to the requirements of our Amended and Restated Bylaws;
- “SOFR” refers to the Secured Overnight Financing Rate;
- the “Spin-Off” refers to our separation from Jefferies and the creation of an independent, publicly traded company, Vitesse, through (1) the Pre-Spin-Off Transactions and (2) the Distribution;
- “Standardized Measure” refers to discounted future net cash flows estimated by applying year-end SEC prices (based on the 12-month unweighted arithmetic average of the first-day-of-the-month oil and natural gas prices for such year-end period) to the estimated future production of year-end proved reserves. Future cash flows are reduced by estimated future production and development costs based on year-end costs to determine pre-tax cash inflows. Future income taxes, if applicable, are computed by applying the statutory tax rate to the excess of pre-tax cash flows over our tax basis in the oil and natural gas properties. Future net cash flows after income taxes are discounted using a 10% annual discount rate;

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- “Treasury Regulations” refers to final, temporary, and (to the extent they can be relied upon) proposed regulations under the Code, as promulgated from time to time (including corresponding provisions and succeeding provisions);
- “Two-stream basis” refers to the reporting of production or reserve volumes of oil and wet natural gas, where the NGLs have not been removed from the natural gas stream, and the economic value of the NGLs is included in the wellhead natural gas price;
- “USRPHC” refers to United States real property holding corporation;
- “Vitesse,” “we,” “our” and “us” (1) when used in the past tense, refer to Vitesse Energy and do not give effect to the consummation of the Pre-Spin-Off Transactions, and (2) when used in the present tense or future tense, refer to Vitesse Energy, Inc. and its consolidated subsidiaries and give effect to the consummation of the Pre-Spin-Off Transactions, in each case unless the context requires otherwise;
- “Vitesse Energy” refers to Vitesse Energy, LLC and its consolidated subsidiaries;
- “Vitesse Energy Finance” refers to Vitesse Energy Finance LLC, the holder of a majority of the equity interests in Vitesse Energy prior to the Pre-Spin-Off Transactions and an indirect wholly owned subsidiary of Jefferies;
- “Vitesse Energy MIUs” refers to management incentive units with respect to Vitesse Energy;
- “Vitesse Oil” refers to Vitesse Oil, LLC;
- “Vitesse Oil MIUs” refers to management incentive units with respect to Vitesse Oil;
- “Vitesse Oil Revolving Credit Facility” refers to Vitesse Oil’s Credit Agreement, dated as of July 23, 2015, as amended from time to time, among Vitesse Oil, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto;
- “VOCs” refers to volatile organic compounds;
- “WOTUS” refers to the waters of the United States; and
- “WTI” refers to West Texas Intermediate.

## **PRESENTATION OF FINANCIAL AND OPERATING DATA**

Unless otherwise indicated, the historical financial information presented in this Information Statement is that of our predecessor, Vitesse Energy. The pro forma condensed combined financial information in this Information Statement is derived from the audited consolidated financial statements and unaudited condensed consolidated financial statements of Vitesse Energy included elsewhere in this Information Statement, which we refer to as the "Audited Consolidated Financial Statements" and the "Unaudited Condensed Consolidated Financial Statements," respectively. The pro forma condensed combined financial information reflects, among other things, the consummation of the Spin-Off, including the acquisition of Vitesse Oil.

In addition, unless otherwise indicated, the reserve and operational data presented in this Information Statement is with respect to all of the assets of Vitesse Energy prior to giving effect to the Spin-Off.

## **INDUSTRY AND MARKET DATA**

This Information Statement includes information concerning our industry and the markets in which we operate that is based on information from public filings, internal company sources, various third-party sources and management estimates. Management's estimates regarding Vitesse's position, share and industry size are derived from publicly available information and our internal research, and are based on assumptions we made upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. While we are not aware of any misstatements regarding any industry data presented in this Information Statement and believe such data to be accurate, we have not independently verified any data obtained from third-party sources and cannot assure you of the accuracy or completeness of such data. Such data involve uncertainties and are subject to change based on various factors, including those discussed in the section entitled "Risk Factors."

## **TRADEMARKS AND COPYRIGHTS**

We own or have rights to various trademarks, logos, service marks and trade names that we use in connection with the operation of our business. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this Information Statement are listed without the ™, ® or © symbols, but such references do not constitute a waiver of any rights that might be associated with the respective trademarks, service marks, trade names and copyrights included or referred to in this Information Statement.

## SUMMARY

This summary highlights selected information from this Information Statement and provides an overview of our company, our separation from Jefferies and Jefferies' distribution of our common stock to its shareholders. For a more complete understanding of our business and the Spin-Off, you should read the entire Information Statement carefully, particularly the discussion of "Risk Factors" and the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements and the notes thereto included in the section entitled "Index to Financial Statements."

### **Our Company**

We are an independent energy company engaged in the acquisition, development and production of non-operated oil and natural gas properties in the United States that are generally operated by leading oil companies and are primarily in the Bakken and Three Forks formations in the Williston Basin of North Dakota and Montana. We also have properties in the Central Rockies, including the Denver-Julesburg Basin and the Powder River Basin. Since our inception, we have built a strong and diversified asset base through a combination of property acquisitions, development activities and the implementation of proprietary non-operating platforms and processes utilizing our extensive data resources. We believe the location and concentration of our assets in some of North America's leading unconventional oil and natural gas resource plays, along with our technical and data capabilities, provide us with acquisition and development opportunities that will result in significant long-term value.

Vitesse has historically created value by acquiring non-operated minority working and mineral interests in oil and natural gas properties, comprising producing wells, near-term development opportunities and undeveloped acreage, and partnering with premier operators with significant experience in developing and producing oil and natural gas in our core areas. Over the past eight years, we have executed on our technical, data driven, and financially disciplined acquisition and development strategy to build our core position in the Williston Basin and Central Rockies and grow our oil and natural gas production. During that time, we have focused on limiting our downside by maintaining conservative acquisition guidelines, limiting our debt leverage and opportunistically hedging our oil production. As a result, we have been able to preserve value when many independent energy companies were forced into financial recapitalizations and restructurings when commodity prices collapsed in 2014, 2018 and 2020.

With the current higher oil and natural gas price environment, we are currently focused on using free cash flow to maintain a strong balance sheet, provide growing returns of capital to stockholders, and grow our oil and natural gas production by developing our extensive inventory of drilling locations and acquiring both producing wells and new development opportunities.

We owned an average working interest of 2.6% in 5,079 gross (129.8 net) productive wells and royalty interests in an additional 972 productive wells as of May 31, 2022. We engage in oil and natural gas well development by participating on a proportionate basis alongside third-party interests in wells drilled and completed in spacing units that include our acreage. As of May 31, 2022, we owned a working interest in 312 gross (9.3 net) wells that were being drilled or completed, and an additional 415 gross (9.6 net) wells that had been permitted for development by our operating partners. We rely on our operators to propose, permit and initiate the drilling and completion of wells. We assess each drilling and completion opportunity on a case-by-case basis and participate in wells that are expected to meet a desired return based upon estimates of recoverable oil and natural gas reserves, anticipated oil and natural gas prices, the expertise of the operator, and the anticipated completed well cost from each project, as well as other factors.

Our non-operated business model provides us with inherent flexibility regarding the cadence of capital deployment and the ability to allocate a portion of our cash flow to the drilling and completion opportunities that we believe will achieve the highest rate of return. We work with more than 35 experienced operators that provide technical insights and opportunities for additional acquisitions and continued development. In



addition, our business model allows us to not be burdened with various contractual arrangements with respect to minimum drilling obligations, and we can avoid exploratory, upfront leasing and infrastructure costs customarily incurred by operators.

Our operators generally market and sell the oil and natural gas extracted from our wells. In addition, these operators coordinate the transportation of oil and natural gas production from wells in which we participate to appropriate pipelines or rail transport facilities pursuant to arrangements that such operators negotiate and maintain with various parties purchasing such production. The price at which our production is sold generally ties to a market spot price, and the Differential between the market spot price and our realized sales price represents the imbedded transportation and marketing costs of moving the oil and natural gas from the wellhead to the refinery or processing plant. The Differential will fluctuate based on availability of pipeline, rail and other transportation methods.

Vitesse is led by a dedicated management team with extensive experience in the energy industry. Our management team includes Bob Gerrity, our Chief Executive Officer, a successful industry leader who was the founder and chief executive officer of Gerrity Oil & Gas Corporation, which pioneered low-cost "reserve manufacturing" in the Wattenberg field of Colorado during the 1990s. Gerrity Oil & Gas Corporation was one of the most active operators in the United States following its IPO in 1990, at times running more than 15 active drilling rigs and completing as many as 500 wells per year. Gerrity Oil & Gas Corporation merged with Snyder Oil Corporation to form Patina Oil & Gas Corporation in 1996, which was later merged with Noble Energy, Inc. in 2005. Today, these former assets comprise a material portion of Chevron Corporation's position in the Denver-Julesburg Basin.

Leveraging his prior experience and acknowledging the trend in advances in shale drilling and completion technologies, Mr. Gerrity believed the shale industry would transition to a reserve manufacturing phase marked by well-capitalized and efficient low-cost operators. In 2013, Mr. Gerrity and Brian Cree, our President and Chief Operating Officer, began to seek out non-operated lease and mineral interests with development opportunities in areas of the Williston Basin that were in the core of the field and operated by premier industry leaders, at which time Jefferies Capital Partners made an initial investment in Vitesse Oil to partially fund the acquisition of non-operated working and mineral interests primarily in undeveloped oil and natural gas assets. In 2014, Messrs. Gerrity and Cree began to see a growing number of acquisition and development opportunities in the Williston Basin, and Jefferies made a direct investment in Vitesse to support larger scale acquisition and development efforts. Since that time, Vitesse has completed over 120 acquisitions totaling approximately \$520 million and deployed over \$400 million in the development of oil and natural gas properties.

Vitesse Oil, which will be acquired by Vitesse as part of the Pre-Spin-Off Transactions, is an independent energy company also engaged in the acquisition, development and production of non-operated oil and natural gas properties in the Williston Basin of North Dakota. As of May 31, 2022, Vitesse Oil had 2,151 net acres in the Williston Basin and owned working interests in approximately 841 gross (7.7 net) productive wells and royalty interests in an additional 120 productive wells, with average production of 830 Boe per day during the month ended May 31, 2022. In addition, Vitesse Oil had 86 gross (0.4 net) wells that were being drilled or completed, and an additional 84 gross (0.3 net) wells that had been permitted for future development by its operators as of May 31, 2022. Based on year-end SEC prices, as of December 31, 2021, Vitesse Oil had approximately 4,107 MBoe of estimated proved reserves located primarily in the core of the Williston Basin, and average production of 641 Boe per day for the year ended December 31, 2021. For information concerning Vitesse Oil, see "Unaudited Pro Forma Condensed Combined Financial Statements."

### **Our Business Strategy**

Our business strategy is focused on creating long-term stockholder value through the profitable acquisition, development and production of oil and natural gas assets at attractive rates of return, while maintaining a strong and conservative balance sheet and distributing a meaningful and growing portion of our free cash flow to our stockholders. The key elements of our business strategy include the following:

- *Built to Last.* From our inception, we have focused on creating a durable organization that generates strong financial returns and sustainable free cash flow through commodity cycles. As opposed to primarily acquiring producing reserves, we have focused our efforts on acquiring an attractive inventory of undeveloped drilling locations that afford us flexibility in the face of oil and natural gas price fluctuations and have taken advantage of technical improvements and cost reductions over time, supporting the sustainable generation of free cash flow. Our management team fosters a culture of innovation and continuous improvement, constantly looking for ways to improve our operations, technical and data analysis, and strengthen our organizational agility and adaptability.
- *Risk Diversification.* We seek to diversify our capital and operational risk through participation in a large number of oil and natural gas wells and with multiple operators across multiple basins. We seek to diversify our risk by operator, formation, value concentration and commodity (oil and natural gas). As of May 31, 2022, we owned an average working interest of 2.6% in 5,079 gross (129.8 net) productive wells and royalty interests in an additional 972 productive wells, with more than 35 experienced operators that provide development and production activities on our oil and natural gas properties. We believe we can further diversify our risk over time with acquisitions in additional basins, focusing on accretive acquisitions of high-quality assets with experienced operators in the most prolific basins in the United States. During the six months ended May 31, 2022, our average production was 9,672 Boe per day, consisting of approximately 8,596 Boe per day in the Williston Basin and 1,076 Boe per day in the Central Rockies. During the month ended May 31, 2022, our average production was 10,340 Boe per day, consisting of approximately 9,193 Boe per day in the Williston Basin and 1,147 Boe per day in the Central Rockies.
- *Growth through Value-Enhancing Acquisitions.* We have been a consolidator and clearing house of non-operated working interests in various leading oil and natural gas shale plays in the United States, and we will continue that strategy and potentially pursue operated asset packages and other acquisition strategies going forward. Our near-term drilling acquisition strategy is centered around building a strong presence in our core basins by acquiring smaller non-operated lease and wellbore positions with direct exposure to near-term drilling activity. By virtue of their smaller footprint, these targeted acquisitions have been completed at a significant discount to the prices paid for contiguous acreage positions typically sought by larger producers and operators of oil and natural gas wells. Acquisitions such as these have been a significant driver of increasing our production. Over the last eight years, we have closed approximately 120 discrete acquisitions totaling more than \$520 million, and we intend to continue these activities, while at the same time evaluating and pursuing larger asset packages in both our current area of operations and other areas. We believe our disciplined acquisition strategy can responsibly add production, cash flow and scale to existing operations.
- *Strong Balance Sheet and Financial Flexibility.* We plan for financial strength and flexibility through the prudent management of our balance sheet and free cash flow. During 2020 and 2021, we were free cash flow positive and reduced our outstanding debt from \$104.0 million at November 30, 2019 to \$68.0 million at November 30, 2021. As a result of strategic acquisitions, our outstanding debt increased to \$84.0 million at May 31, 2022. Following the Spin-Off, we intend to maintain conservative indebtedness and a simple capital structure consisting only of our New Revolving Credit Facility and common stock. We intend to maintain the flexibility to manage our free cash flow by continuing to adhere to a target Net Debt to Adjusted EBITDA ratio (last twelve months) of less than 1.0. As of May 31, 2022, our Net Debt to Adjusted EBITDA ratio (last twelve months) was 0.6. For the twelve months ended May 31, 2022, we generated net income and Adjusted EBITDA of \$12.2 million and \$136.4 million, respectively. From our inception in 2014 through November 30,

2021, we generated approximately \$88.0 million of net income during a volatile commodity price environment. For definitions and reconciliations of Net Debt and Adjusted EBITDA to their most directly comparable financial measures in accordance with GAAP, see “Selected Historical Financial Data—Non-GAAP Financial Information.”

- *Dividends to Stockholders.* Our business plan focuses on building a diversified, low-leverage, free cash flow generating business that can deliver meaningful and growing dividends to our stockholders. We made cash distributions to our members totaling \$25.0 million during 2019, \$12.0 million during 2021, and \$36.0 million during the six months ended May 31, 2022. In addition to the aforementioned cash distribution payments, during 2019 and 2020, Jefferies realized close to \$30.0 million in hedging gains that were attributable to derivatives associated with our oil production, further demonstrating our commitment to returning value to our investors. Following the Distribution, we expect that Vitesse will pay a regular cash dividend on a quarterly basis.
- *Hedging Strategy.* To reduce our exposure to the volatility of oil prices and protect our ability to pay distributions, we have entered into hedging derivative instruments for a portion of our expected oil production, which have included swaps, collars, puts and other structures. We historically have layered in oil hedges both on an opportunistic basis when WTI prices have allowed us to recognize attractive rates of return on our asset base and upon acquisitions of larger producing assets to protect returns. We currently do not hedge natural gas production due to the mismatch between our operators’ pricing formulas and settlement mechanics on natural gas hedges. Our current hedged position mitigates our exposure to volatile oil prices by layering in hedges covering approximately 30% of our expected oil production through November 30, 2024. However, in the past, based on then-existing market conditions, we have hedged significantly higher percentages of our actual oil production. For further information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosure about Market Risk—Commodity Price Risk.”
- *Responsible Stewards.* We are committed to ESG initiatives and seek a culture of improvement in ESG practices. We work to provide safe, reliable and affordable energy in a responsible manner by partnering with responsible operators in our core areas, while being cognizant of the broader energy transition. The key tenets of our ESG philosophy are to identify opportunities to reduce our environmental impact, improve safety, invest in our employees, and support the communities in which we live and work while improving transparency and accountability. At the time of the Distribution, our Board will be majority independent and composed of experienced professionals with a strong background in the energy industry and more broadly in business. To help strengthen our ESG performance, we have implemented compensation practices focused on value creation and aligned with stockholder interests.

#### **Our Competitive Strengths**

We believe that we will be able to successfully execute our business strategies because of the following competitive strengths:

- *Every Decision is a Financial Decision.* Our business culture encourages employees to think like owners and to make decisions with a long-term perspective. We have developed a systematic approach of responsibly reviewing acquisition and development opportunities. As part of our efforts to maximize returns, we have established a capital allocation framework with the objective of allocating capital to acquisitions and development of oil and natural gas properties to drive sustainability and growth in free cash flow, the repayment of debt and stockholder dividends. We are focused on a capital allocation framework that entails low development reinvestment rates, allowing us to return a significant portion of our cash flow back to our stockholders, and will retain flexibility with respect to share repurchases, subject to approval from our Board and as conditions warrant. We will continue to evaluate and pursue profitable and accretive acquisition and consolidation opportunities that enhance stockholder value and build scale. As opportunities arise, we intend to identify and acquire additional acreage and producing assets to supplement our existing operations.

- *Data and Technology Driven*. Our proprietary data-driven approach allows for rapid multi-disciplinary evaluation to determine the most attractive acquisition and development opportunities. We created customized data systems (vLuminis) that are integrated, centralized and utilized by our employees so that decisions are based on a common base of information. We maintain real-time business intelligence dashboards to monitor operators, rigs, well performance, drilling and completion costs and production results. This data informs model forecasts, type curves and decisions about acquisition and development opportunities. We maintain responsive, basin-wide models that are updated in real time and incorporate historical data by operator and region. These models, along with our proprietary systems and platforms, provide necessary inputs and evaluation metrics, which allow us to make informed investment decisions based on forecasted production, operating expenses, type curves, drilling inventory, cash flow and other operational and financial outputs. As a result, we have the capability to process multiple opportunities quickly with the current team in place.
- *Experienced Management and Industry Relationships*. Vitesse's management team has developed deep and longstanding relationships with many of our operators, other working interest and mineral owners, investment banks, acquisition and divestiture companies and investors. A majority of our evaluated and executed acquisitions and transactions are self-sourced. We have become a preferred non-operator to some of the largest companies operating in the Williston Basin and Central Rockies given our track record of evaluating and acquiring non-operated oil and natural gas working interests, and being a responsible financial partner. As a result, we see broad deal flow from single wellbore near-term development acquisition opportunities to packages consisting of both producing and undeveloped assets worth hundreds of millions of dollars. Our management team has an over 30-year track record of creating value together at both private and public oil and natural gas companies.
- *Proactive Asset Management Philosophy*. Our experienced team of landmen and accountants review acquired assets to unlock incremental value. Many assets we acquire have title defects or other land related issues where deep analysis and consistent, quality diligence adds value in many areas, including increased working interest ownership and working capital management. Our long-term view provides the time to solve issues and find additional well interests to increase the velocity of overall returns. This is enabled by strong departmental relationships with operators and accurate data management.

#### **Industry Trends Impacting Our Business**

Commodity prices are the most significant factor impacting our acquisition and divestiture strategy, as well as the decisions of our operators in conducting their operations. Prices for oil and natural gas can be highly volatile. For instance, the COVID-19 pandemic and efforts to mitigate the spread of the disease, combined with OPEC actions in early 2020, led to spot and future prices of crude oil and natural gas falling to historic lows during the second quarter of 2020 and remaining depressed through much of 2020. Our operators in the Williston Basin responded by significantly decreasing drilling and completion activity, and by shutting in or curtailing production from a significant number of producing wells. Commodity prices, however, quickly reached pre-pandemic levels in the second half of 2021, and during the first half of 2022 only further accelerated upward, in part as a result of the Russian invasion of Ukraine. The ongoing conflict between Russia and Ukraine may have further global economic consequences, including disruptions of the global energy markets and the amplification of inflation and supply chain constraints, partially due to sanctions by the European Union, the United Kingdom and the United States on imports of oil and gas from Russia.

As a result of such recent commodity price volatility, which we expect to continue throughout 2022, our earnings and operating cash flows can vary substantially, and are subject to external factors over which the company has no control. While we do hedge a substantial portion of our production, we are still significantly subject to movements in commodity prices. Such volatility can make it difficult to predict future effects on our company and the decisions of our operators. Factors that we expect will continue to impact commodity prices include product demand connected with global economic conditions, industry production and inventory levels, technology advancements, production quotas or other actions imposed by OPEC countries, actions of

regulators, and regional supply interruptions or fears thereof that may be caused by military conflicts (including invasion), civil unrest, pandemic or political uncertainty. Any of the foregoing can have a substantial impact on the prices of oil and natural gas, which in turn impacts the decision of our operators to drill and extract resources. Despite such commodity price volatility, we expect that our cash flow from operations and borrowing availability under our Existing Revolving Credit Facility or New Revolving Credit Facility, as applicable, will allow us to meet our liquidity needs for the next twelve months.

#### **Office Locations**

Our principal executive offices are located at 9200 E Mineral Ave, Suite 200, Centennial, Colorado 80112. Our current office space consists of approximately 15,000 square feet of leased space. We believe our current office space is sufficient to meet our needs and that additional office space can be obtained if necessary.

#### **Summary Risk Factors**

Ownership of Vitesse common stock is subject to numerous risks, including risks relating to the Spin-Off. The following list of risk factors is not exhaustive. Please read the information in the section entitled "Risk Factors" for a more thorough description of these and other risks.

#### **Risks Relating to the Spin-Off**

- If the Distribution is not a tax-free transaction for U.S. federal income tax purposes, Jefferies and recipients of shares of Vitesse common stock could be subject to significant tax liability, and Vitesse could have an indemnification obligation to Jefferies.
- We intend to agree to numerous restrictions to preserve the non-recognition treatment of the Distribution, which may reduce our strategic and operating flexibility.
- We may be unable to achieve the expected benefits from the Spin-Off, following which we will be subject to new reporting requirements, incur increased costs, and certain members of management and directors may face conflicts of interest.
- Our acquisitions of Vitesse Energy and Vitesse Oil may require consents or approvals, which could harm our business and financial performance if not obtained.
- Until the Distribution occurs, the Jefferies Board may change the terms of the Spin-Off in ways that may be unfavorable to us.
- If you do not want to receive our common stock in the Distribution, your sole recourse will be to divest yourself of your Jefferies common stock.

#### **Risks Relating to Our Common Stock**

- No market for our common stock currently exists. Following the Spin-Off, an active trading market may not develop or be sustained, and our stock price may fluctuate significantly.
- Although we expect to pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock.
- Certain provisions in our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage takeovers.
- The rights associated with our common stock will differ from the rights associated with Jefferies common stock.
- Our Amended and Restated Certificate of Incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings, potentially limiting our stockholders' ability to obtain a favorable judicial forum for disputes.

#### **Risks Relating to Our Business**

- Our business may be affected by volatile or extended declines in oil and natural gas prices.

- Our estimated proved, probable and possible reserves may prove to be inaccurate.
- Our business relies on third parties, such as our operators, and depends on transportation and processing facilities and other assets that are owned by third parties.
- Seasonal weather conditions may adversely affect our operators' ability to conduct drilling and completion activities and to sell oil and natural gas for periods of time.
- The majority of our producing properties are located in the Williston Basin, making us vulnerable to risks associated with operating in one major geographic area.
- We may be materially adversely affected by the negative global and economic impact resulting from the military conflict in Ukraine, other geopolitical tensions, ongoing risks from COVID-19, cybersecurity threats, and inflation related costs.
- Asset retirement costs may be difficult to predict and may be substantial. Unplanned costs could divert resources from other projects.
- Increased attention to ESG matters, fuel conservation measures and related governmental initiatives, technological advances and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas.

#### **Risks Relating to Our Indebtedness**

- Any significant reduction in our borrowing base under our New Revolving Credit Facility may negatively impact our financial results or restrict our business and financing activities.
- We may not be able to generate enough cash flow to meet our current or potential future debt obligations.
- Variable rate indebtedness could subject us to interest rate risk, which could cause our debt service obligations to increase significantly.
- Our business plan requires the expenditure of significant capital, which we may be unable to obtain on favorable terms or at all.

#### **Risks Relating to Legal and Regulatory Matters**

- New federal rules and regulations could restrict our ability to acquire federal leases and/or impose more onerous permitting and other costly environmental, health and safety requirements.
- Certain U.S. federal income tax deductions currently available with respect to oil and natural gas development may be eliminated as a result of future legislation.
- Legislative and regulatory developments could have an adverse effect on our ability to use derivative instruments to reduce the effect of volatile oil and natural gas price, interest rate and other risks associated with our business.
- Our business is subject to complex federal, state, and local laws, as well as other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.
- Federal and state legislative and regulatory initiatives relating to climate change, hydraulic fracturing and reducing gas flaring could result in increased costs and additional operating restrictions or delays.

#### **Pre-Spin-Off Transactions**

We expect the following transactions, among others, to be consummated prior to the completion of the Spin-Off (which we refer to as the "Pre-Spin-Off Transactions"):

- Vitesse was incorporated on August 5, 2022;
- 3B Energy will transfer all of its Vitesse Energy equity interests to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to 3B Energy;
- Each of Messrs. Gerrity and Cree will transfer all of their vested Vitesse Energy MIUs to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to each of Messrs. Gerrity and Cree;

- Vitesse Energy Finance and the remaining holders of vested Vitesse Energy MIUs will transfer all of their Vitesse Energy equity interests to Vitesse in exchange for newly issued shares of Vitesse common stock;
- Jefferies Capital Partners, Gerrity Bakken and holders of vested Vitesse Oil MIUs will transfer all of their Vitesse Oil equity interests to Vitesse in exchange for newly issued shares of Vitesse common stock;
- Through a series of distributions, all of the Vitesse common stock held by Vitesse Energy Finance will ultimately become held directly by Jefferies;
- Through a series of distributions, a portion of the Vitesse common stock held by Jefferies Capital Partners will ultimately become held directly by Jefferies; and
- Vitesse will enter into the New Revolving Credit Facility and will use a portion of the proceeds from borrowings under the New Revolving Credit Facility to repay in full and terminate the Existing Revolving Credit Facility and to repay in full and terminate the Vitesse Oil Revolving Credit Facility.

Pursuant to the above described transactions, Jefferies will directly hold approximately [ ]% of the total issued and outstanding common stock of Vitesse immediately prior to the Distribution. For more information, see “The Spin-Off—Pre-Spin-Off Transactions” and “Certain Relationships and Related Party Transactions—Other Transactions and Relationships with Related Persons.”

#### **The Spin-Off**

On July 19, 2022, Jefferies announced plans for the complete legal and structural separation of Vitesse from Jefferies.

To effect the separation, first, Jefferies and Jefferies Capital Partners, among others, will undertake the Pre-Spin-Off Transactions described under the section entitled “The Spin-Off—Pre-Spin-Off Transactions.” Jefferies will subsequently distribute all of Vitesse’s outstanding common stock held by Jefferies, representing [ ]% of our total issued and outstanding common stock immediately prior to the Distribution, to Jefferies shareholders, and Vitesse will become an independent, publicly traded company. After the Distribution, Jefferies will not own any shares of our common stock.

Prior to completion of the Spin-Off, we intend to enter into a Separation and Distribution Agreement and a Tax Matters Agreement with Jefferies related to the Spin-Off. These agreements will govern the relationship between Jefferies and us up to and after completion of the Spin-Off. See the section entitled “Certain Relationships and Related Party Transactions” for more detail. No approval of Jefferies shareholders is required in connection with the Spin-Off, and Jefferies shareholders will not have any appraisal rights in connection with the Spin-Off.

Completion of the Spin-Off is subject to the satisfaction, or the waiver by the Jefferies Board, of a number of conditions. If the Jefferies Board waives any condition prior to the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, and the result of such waiver is material to Jefferies shareholders, Jefferies will file an amendment to the Registration Statement to revise the disclosure in this Information Statement accordingly. In the event that the Jefferies Board waives a condition after this Registration Statement becomes effective and such waiver is material to Jefferies shareholders, Jefferies will communicate such change to Jefferies shareholders by filing a Current Report on Form 8-K describing the change.

In addition, Jefferies has the right not to complete the Spin-Off if, at any time, the Jefferies Board determines, in its sole and absolute discretion, that the Spin-Off is not in the best interests of Jefferies or its shareholders, or is otherwise not advisable. If the Spin-Off is not completed for any reason, Jefferies and Vitesse will have incurred significant costs related to the Spin-Off, including fees for consultants, financial and legal advisors, accountants and auditors, that will not be recouped. Total one-time transaction costs associated with the Spin-Off are preliminarily estimated to range from \$[ ] to \$[ ] if the Spin-Off is completed. If the Spin-Off is not completed for any reason, the one-time transaction costs will generally be limited to the

transaction costs incurred for services rendered as of the date the Spin-Off is abandoned, which will be less than the ranges noted above. Our management has devoted significant time to manage the Spin-Off process, which has decreased the time they have had to manage the business of Vitesse. See the section entitled "The Spin-Off—Conditions to the Spin-Off" for more detail.

#### **Reasons for the Spin-Off**

In 2017, Jefferies announced that its primary business initiative would be to become a focused financial services company with clear drive and direction, concentrating on investment banking and capital markets and alternative asset management. Since that time, Jefferies has strategically and opportunistically monetized a significant portion of its merchant banking portfolio and realigned its internal structure to achieve those goals. Jefferies has continued to make clear that it would continue to liquidate its merchant banking portfolio, with the intention of selling the businesses and investments comprising the portfolio to third parties, distributing the businesses and investments comprising the portfolio to shareholders or transferring the balance of the businesses and investments comprising the portfolio to its asset management reportable segment. As they contemplated the Spin-Off, the Jefferies Board and management determined that positioning Vitesse as an independent publicly traded company would further Jefferies' long-term goals and enhance stockholder value.

A wide variety of factors were considered by the Jefferies Board in evaluating the Spin-Off. Among other things, the Jefferies Board considered several potential benefits of the Spin-Off, including:

- **Strategic goals.** Following the Spin-Off, Jefferies will be one step closer to its previously announced goal of liquidating its merchant banking portfolio and focusing solely on financial services.
- **Maximizing shareholder value and choice.** Jefferies shareholders should benefit from both the benefits to be reaped as Jefferies further reduces its merchant banking portfolio and further dedicates its management's focus on financial services and from the potential for value enhancement that might be achieved in a stand-alone, publicly traded Vitesse. Jefferies believes the Spin-Off will help unlock the value in Vitesse that may not be clear to investors while it remains part of Jefferies. Those investors looking for a pure play company that is focused on creating long-term stockholder value through the profitable acquisition, development and production of oil and natural gas assets will be able to invest directly in Vitesse, which should result in greater alignment between the interests of each company's stockholder base and the characteristics of its respective business, capital structure and financial results.
- **Separate capital structures and allocation flexibility.** The Spin-Off will enable each of Jefferies and Vitesse to leverage its distinct profile and cash flow characteristics to optimize its capital structure and capital allocation strategy. The Spin-Off will permit each company to allocate its financial resources to meet the unique needs of its own businesses, which will allow each company to intensify its focus on its distinct strategic priorities and individual business risk and return profiles.

The Jefferies Board also considered several potentially negative factors in evaluating the Spin-Off. Notwithstanding these negative factors, the anticipated effects of which are not reasonably determinable, and considering the factors discussed above, the Jefferies Board determined that the Spin-Off provided the best opportunity to achieve the above benefits and enhance stockholder value. Neither Jefferies nor Vitesse can assure you that, following the Spin-Off, any of the benefits described above or otherwise will be realized to the extent anticipated or at all. For additional information, see the sections entitled "Risk Factors" and "The Spin-Off—Reasons for the Spin-Off."

#### **Emerging Growth Company Status**

We are an "emerging growth company" as defined by the Jumpstart Our Business Startups Act of 2012. We will continue to be an emerging growth company until the earliest to occur of the following:

- the last day of the fiscal year in which our total annual gross revenues first meet or exceed \$1.07 billion (as adjusted for inflation);



- the date on which we have, during the prior three-year period, issued more than \$1.0 billion in non-convertible debt;
- the last day of the fiscal year in which we (1) have an aggregate worldwide market value of common stock held by non-affiliates of \$700 million or more (measured at the end of each fiscal year) as of the last business day of our most recently completed second fiscal quarter and (2) have been a reporting company under the Exchange Act for at least one year (and filed at least one annual report under the Exchange Act); or
- the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act.

For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002, exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies, reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and exemptions from the requirement of holding a nonbinding advisory vote on executive compensation and stockholder approval on golden parachute compensation not previously approved. We may choose to take advantage of some or all of these reduced burdens. For example, we have taken advantage of the reduced disclosure obligations regarding executive compensation in this Information Statement. For as long as we take advantage of the reduced reporting obligations, the information we provide stockholders may be different from information provided by other public companies. In addition, it is possible that some investors will find our common stock less attractive as a result of these elections, which may result in a less active trading market for our common stock and higher volatility in our stock price.

In addition, we intend to take advantage of the extended transition period that allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Our election to use the extended transition period permitted by this election may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the extended transition period and who will comply with new or revised financial accounting standards.

#### **Vitesse Indebtedness**

Vitesse Energy has a secured Existing Revolving Credit Facility with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of banks, as lenders. The Existing Revolving Credit Facility will mature on April 29, 2026. The Existing Revolving Credit Facility permits borrowing on a revolving credit basis with availability equal to the least of (1) the current aggregate elected commitments of \$170 million, (2) the current borrowing base of \$200 million and (3) the maximum credit amount of \$500 million. The aggregate elected commitments of the lenders under the Existing Revolving Credit Facility may be increased up to a maximum credit amount of \$500 million, subject to the satisfaction of certain customary conditions, including the willingness of the existing lenders to increase their commitments or of new lenders to provide additional commitments. In connection with the closing of the Existing Revolving Credit Facility in April 2022, the borrowing base was set at \$200 million. Our borrowing base under the Existing Revolving Credit Facility is subject to regular, semi-annual redeterminations on or about April 1 and October 1 of each year based on, among other things, the value of our proved oil and natural gas reserves, as determined by the lenders in their discretion. As of May 31, 2022, under the Existing Revolving Credit Facility we had outstanding borrowings of \$84.0 million and \$86.0 million of available borrowing capacity. At our option, borrowings under the Existing Revolving Credit Facility bear interest at either an adjusted forward-looking term rate based on SOFR ("Term SOFR") or an adjusted base rate ("Base Rate") (the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% or the 30-day Term SOFR rate plus 1.0%), plus an applicable margin ranging

from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to Term SOFR borrowings, in each case based on the current commitment utilization percentage. The Existing Revolving Credit Facility is guaranteed by all of our subsidiaries and is collateralized by a first priority lien on substantially all assets of Vitesse Energy and its subsidiaries, including a first priority lien on properties representing a minimum of 85% of the proved reserve value of our oil and natural gas properties.

Vitesse intends to enter into a secured New Revolving Credit Facility in connection with the Spin-Off. The New Revolving Credit Facility will replace the Existing Revolving Credit Facility of Vitesse Energy. As the terms of the credit agreement governing the New Revolving Credit Facility are finalized, we will provide the required and appropriate information in subsequent amendments to the Registration Statement on Form 10, of which this Information Statement is a part.

**Other Information**

We are a Delaware corporation. Our principal executive offices are located at 9200 E. Mineral Ave. Suite 200, Centennial, Colorado 80112. Our telephone number is (720) 361-2500. Our website address is [www.vitesseenergy.com](http://www.vitesseenergy.com). Information contained on, or connected to, our website or Jefferies' website does not and will not constitute part of this Information Statement or the Registration Statement on Form 10, of which this Information Statement is a part, or any other filings with, or any information furnished or submitted to, the SEC.

**Reasons for Furnishing This Information Statement**

We are furnishing this Information Statement solely to provide information to Jefferies shareholders who will receive shares of our common stock in the Distribution. Jefferies shareholders are not required to vote on the Distribution. Therefore, you are not being asked for a proxy and you are not required to send a proxy to Jefferies. You do not need to pay any consideration, exchange or surrender your existing shares of Jefferies common stock or take any other action to receive your shares of Vitesse common stock. You should not construe this Information Statement as an inducement or encouragement to buy, hold or sell any of our securities or any securities of Jefferies. We believe that the information contained in this Information Statement is accurate as of the date set forth on the cover. Changes to the information contained in this Information Statement may occur after that date, and neither we nor Jefferies undertakes any obligation to update the information except in the normal course of our and Jefferies' respective public disclosure obligations and practices.

## QUESTIONS AND ANSWERS ABOUT THE SPIN-OFF

The following provides only a summary of certain information regarding the Spin-Off. You should read this Information Statement in its entirety for a more detailed description of the matters described below.

**Q: Why am I receiving this Information Statement?**

A: Jefferies is making this Information Statement available to you because you are a holder of shares of Jefferies common stock. If you are a holder of shares of Jefferies common stock as of the Record Date, for every [ ] shares of Jefferies common stock that you hold as of the Record Date, you will be entitled to receive [ ] shares of Vitesse common stock. This Information Statement will help you understand how the Spin-Off will affect your post-Distribution ownership in Jefferies and Vitesse.

**Q: What is the Spin-Off?**

A: The Spin-Off is the method by which we will separate from Jefferies. In the Spin-Off, Jefferies will distribute to its shareholders all the outstanding shares of our common stock held by Jefferies, which we refer to as the "Distribution." Following the Spin-Off, we will be an independent, publicly traded company, and Jefferies will not retain any ownership interest in us. Jefferies will continue as an independent, publicly traded company primarily focused on its investment banking and capital markets and asset management businesses.

**Q: Will the number of Jefferies shares I own change as a result of the Spin-Off?**

A: No, the number of shares of Jefferies common stock you own will not change as a result of the Spin-Off.

**Q: What are the reasons for the Spin-Off?**

A: A wide variety of factors were considered by the Jefferies Board in evaluating the Spin-Off. Among other things, the Jefferies Board considered several potential benefits of the Spin-Off, including:

- **Strategic goals.** Following the Spin-Off, Jefferies will be one step closer to its previously announced goal of liquidating its merchant banking portfolio and focusing solely on financial services.
- **Maximizing shareholder value and choice.** Jefferies shareholders should benefit from both the benefits to be reaped as Jefferies further reduces its merchant banking portfolio and further dedicates its management's focus on financial services and from the potential for value enhancement that might be achieved in a stand-alone, publicly traded Vitesse. Jefferies believes the Spin-Off will help unlock the value in Vitesse that may not be clear to investors while it remains part of Jefferies. Those investors looking for a pure play company that is focused on creating long-term stockholder value through profitable acquisition, development and production of oil and natural gas assets will be able to invest directly in Vitesse, which should result in greater alignment between the interests of each company's stockholder base and the characteristics of its respective business, capital structure and financial results.
- **Separate capital structures and allocation flexibility.** The Spin-Off will enable each of Jefferies and Vitesse to leverage its distinct profile and cash flow characteristics to optimize its capital structure and capital allocation strategy. The Spin-Off will permit each company to allocate its financial resources to meet the unique needs of its own businesses, which will allow each company to intensify its focus on its distinct strategic priorities and individual business risk and return profiles.

The Jefferies Board also considered several potentially negative factors in evaluating the Spin-Off. Notwithstanding these negative factors, the anticipated effects of which are not reasonably determinable, and considering the factors discussed above, the Jefferies Board determined that the Spin-Off provided the best opportunity to achieve the above benefits and enhance stockholder value. Neither Jefferies nor Vitesse can assure you that, following the Spin-Off, any of the benefits described above or otherwise will be realized to the extent anticipated or at all. For additional information, see the sections entitled "Risk Factors" and "The Spin-Off—Reasons for the Spin-Off."

**Q: Why is the separation of Vitesse structured as a spin-off?**

A: Jefferies believes that a distribution of our shares to holders of Jefferies common stock, which Jefferies intends to be tax-free for U.S. federal income tax purposes, is the most efficient way to separate our business from Jefferies in a manner that will achieve the above benefits.

**Q: What will I receive in the Distribution in respect of my shares of Jefferies common stock?**

A: As a holder of Jefferies common stock, for every [ ] shares of Jefferies common stock you hold on the Record Date, you will receive a distribution of [ ] shares of Vitesse common stock. The distribution agent will distribute only whole shares of our common stock in the Spin-Off. See “—How will fractional shares be treated in the Distribution?” for more information on the treatment of the fractional shares you may be entitled to receive in the Distribution. Your proportionate interest in Jefferies will not change as a result of the Spin-Off.

**Q: What is being distributed in the Distribution?**

A: Jefferies will distribute approximately [ ] shares of our common stock in the Distribution, based on the approximately [ ] shares of Jefferies common stock outstanding as of [ ], 2022. The actual number of shares of our common stock that Jefferies will distribute will depend on the total number of shares of Jefferies common stock outstanding on the Record Date. The shares of our common stock that Jefferies distributes will constitute all of the issued and outstanding shares of our common stock held by Jefferies immediately prior to the Distribution, representing approximately [ ]% of our total issued and outstanding common stock immediately prior to the Distribution. For more information on the shares being distributed in the Distribution, see the section entitled “Description of Our Capital Stock—Common Stock.”

**Q: What is the record date for the Distribution?**

A: Jefferies will determine record ownership as of the close of business on [ ], 2022, which we refer to as the “Record Date.”

**Q: When will the Distribution occur?**

A: The Distribution will be effective as of [ ], New York City time, on [ ], 2022. On or shortly after the Distribution Date, the whole shares of our common stock will be credited in book-entry accounts for Jefferies shareholders entitled to receive the shares in the Distribution. See “—How will Jefferies distribute shares of our common stock?” for more information on how to access your book-entry account or your bank, brokerage or other account holding the Vitesse common stock you receive in the Distribution on and following the Distribution Date.

**Q: What do I have to do to participate in the Distribution?**

A: All holders of Jefferies common stock as of the Record Date will participate in the Distribution. You are not required to take any action in order to participate, but we urge you to read this Information Statement carefully. Holders of Jefferies common stock on the Record Date will not need to pay any cash or deliver any other consideration, including any shares of Jefferies common stock, in order to receive shares of our common stock in the Distribution. In addition, no shareholder approval of the Distribution is required. We are not asking you for a vote and request that you do not send us a proxy card.

**Q: If I am a holder of Jefferies convertible preferred stock that is convertible into Jefferies common stock, will I be entitled to receive Vitesse shares in the Distribution?**

A: Holders of Jefferies convertible preferred stock will not be entitled to participate in the Distribution unless they convert such securities into Jefferies common stock prior to the Record Date. Jefferies expects that, as a result of the Distribution, the conversion price of its convertible preferred stock will be adjusted in accordance with Jefferies’ restated certificate of incorporation.

**Q: If I sell my shares of Jefferies common stock on or before the Distribution Date, will I still be entitled to receive shares of Vitesse common stock in the Distribution?**

A: If you sell your shares of Jefferies common stock before the Record Date, you will not be entitled to receive shares of Vitesse common stock in the Distribution. If you hold shares of Jefferies common stock on the Record Date and decide to sell them on or before the Distribution Date, you may be able to choose to sell your Jefferies common stock with or without your entitlement to the Vitesse common stock to be distributed in the Spin-Off. You are encouraged to consult with your bank, broker or other nominee, as applicable, and your financial advisor regarding your options and the specific implications of selling your shares of Jefferies common stock prior to or on the Distribution Date. See the section entitled "The Spin-Off—Trading Prior to the Distribution Date" for more information.

**Q: Is the completion of the Spin-Off subject to the satisfaction or waiver of any conditions?**

A: Yes, the completion of the Spin-Off is subject to the satisfaction, or the Jefferies Board's waiver, of the following conditions:

- the Jefferies Board and our Board, as applicable, shall have authorized and approved the applicable Pre-Spin-Off Transactions (as described in the section entitled "The Spin-Off—Pre-Spin-Off Transactions") and Distribution and not withdrawn such authorization and approval, and shall have declared the dividend of our common stock to Jefferies shareholders;
- the ancillary agreements contemplated by the Separation and Distribution Agreement, including the Tax Matters Agreement, shall have been executed by each party to those agreements;
- our common stock shall have been accepted for listing on the NYSE or another national securities exchange approved by Jefferies, subject to official notice of issuance;
- the SEC shall have declared effective our Registration Statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- Jefferies shall have received the IRS Ruling, substantially to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- Jefferies shall have received the written opinion of Morgan, Lewis & Bockius LLP, which shall remain in full force and effect, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- the Jefferies Board shall have received one or more opinions (which have not been withdrawn or adversely modified) in customary form from one or more nationally recognized valuation, appraisal or accounting firms or investment banks as to the solvency and financial viability of Jefferies prior to the Spin-Off and each of Jefferies and Vitesse after the consummation of the Spin-Off;
- the Pre-Spin-Off Transactions shall have been completed;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of Jefferies shall have occurred or failed to occur that prevents the consummation of the Distribution;
- no other events or developments shall have occurred prior to the Distribution Date that, in the judgment of the Jefferies Board, would result in the Distribution having a material adverse effect on Jefferies or its shareholders;

- prior to the Distribution Date, notice of Internet availability of this Information Statement or this Information Statement shall have been mailed to the holders of Jefferies common stock as of the Record Date;
- Jefferies shall have duly elected the individuals listed as members of our post-Distribution Board in this Information Statement, and such individuals shall be the members of our Board, immediately after the Distribution; provided, however, that to the extent required by any law or requirement of the NYSE or any other national securities exchange, as applicable, the existing directors shall appoint one independent director prior to the date on which "when-issued" trading of our common stock begins and this independent director shall begin his or her term prior to the Distribution and shall serve on our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee; and
- immediately prior to the Distribution Date, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each in substantially the form filed as an exhibit to the Registration Statement on Form 10, of which this Information Statement is a part, shall be in effect.

Jefferies and Vitesse cannot assure you that any or all of these conditions will be met, or that the Distribution will be consummated even if all of the conditions are met. Jefferies may at any time prior to the Distribution Date decide to abandon the Distribution or modify or change the terms of the Distribution. If the Jefferies Board waives any condition prior to the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, and the result of such waiver is material to Jefferies shareholders, Jefferies will file an amendment to the Registration Statement to revise the disclosure in this Information Statement accordingly. In the event that the Jefferies Board waives a condition after this Registration Statement becomes effective and such waiver is material to Jefferies shareholders, Jefferies will communicate such change to Jefferies shareholders by filing a Current Report on Form 8-K describing the change. For a complete discussion of all of the conditions to the Distribution, see the section entitled "The Spin-Off—Conditions to the Spin-Off."

***Q: Can Jefferies decide to cancel the Distribution even if all the conditions have been satisfied?***

A: Yes. The Jefferies Board may, in its sole discretion and at any time prior to the Distribution Date, decide to terminate or abandon the Distribution even if all the conditions to the Distribution have been satisfied if the Jefferies Board determines that the Distribution is not in the best interests of Jefferies or its shareholders or is otherwise not advisable. For a more detailed description, see the section entitled "The Spin-Off—Conditions to the Spin-Off."

***Q: How will Jefferies distribute shares of our common stock?***

A: Registered shareholders: If you own your shares of Jefferies common stock directly through Jefferies' transfer agent, AST, you are a registered shareholder. In this case, the distribution agent will credit the whole shares of our common stock you receive in the Distribution by way of direct registration in book-entry form to a new account with our transfer agent. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to shareholders, as is the case in the Distribution. You will be able to access information regarding your book-entry account holding the Vitesse shares at [www.\[ \] .com](http://www.[ ] .com) or by calling [ ] .

"Street name" or beneficial shareholders: If you own your shares of Jefferies common stock beneficially through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the whole shares of our common stock you receive in the Distribution on or shortly after the Distribution Date. Please contact your bank, broker or other nominee for further information about your account.

We will not issue any physical stock certificates to any stockholders, even if requested. See the section entitled "The Spin-Off—When and How You Will Receive Vitesse Shares" for a more detailed explanation.

**Q: How will fractional shares be treated in the Distribution?**

A: The distribution agent will not distribute any fractional shares of our common stock in connection with the Spin-Off. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of Jefferies shareholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). See the section entitled "The Spin-Off—Treatment of Fractional Shares" for a more detailed explanation of the treatment of fractional shares. The distribution agent will, in its sole discretion, without any influence by Jefferies or us, determine when, how, through which broker-dealer and at what price to sell the whole shares of Vitesse common stock. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either Jefferies or us.

**Q: What are the material U.S. federal income tax consequences to me of the Distribution?**

A: It is a condition to the completion of the Distribution that Jefferies receives (1) the IRS Ruling and (2) an opinion of Morgan, Lewis & Bockius LLP, each substantially to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code. Accordingly, assuming the Distribution so qualifies for U.S. federal income tax purposes, no gain or loss will be recognized by, or be includible in the income of, a U.S. Holder (as defined in the section entitled "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off") as a result of the Distribution, except with respect to any cash received by Jefferies shareholders in lieu of fractional shares.

We urge you to consult your tax advisor as to the specific tax consequences of the Distribution to you, including the effect of any U.S. federal, state, local or foreign tax laws and of changes in applicable tax laws. See the section entitled "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off" for more information regarding the potential tax consequences to you of the Spin-Off.

**Q: How will I determine the tax basis I will have in the shares of stock I receive in the Spin-Off?**

A: Generally, your aggregate basis in the stock you hold in Jefferies and the shares of our common stock received in the Spin-Off (including any fractional shares to which you otherwise would be entitled) will equal the aggregate basis of Jefferies common stock held by you immediately before the Distribution. This aggregate basis should be allocated between your Jefferies common stock and our common stock you receive in the Spin-Off (including any fractional shares to which you otherwise would be entitled) in proportion to the relative fair market values of each immediately after the Distribution. You should consult your tax advisor about how this allocation will work in your situation (including a situation where you have purchased Jefferies shares at different times or for different amounts) and regarding any particular consequences of the Spin-Off to you, including the application of state, local and non-U.S. tax laws. The material U.S. federal income tax consequences of the Spin-Off are described in more detail under "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off."

**Q: Does Vitesse intend to pay cash dividends?**

A: Following the Distribution, we expect that Vitesse will pay a regular cash dividend on a quarterly basis. Notwithstanding this current expectation, the timing, declaration, amount of and payment of any dividends will be within the discretion of the Board and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt service obligations, legal requirements or limitations, industry practice, and other factors

deemed relevant by our Board. Moreover, if as expected we determine to initially pay a dividend following the Distribution, there can be no assurance that we will continue to pay dividends in the same amounts or at all thereafter. We have not adopted, and do not currently expect to adopt, a separate written dividend policy to reflect our Board's policy. See the section entitled "Dividend Policy" for more information.

**Q: *What indebtedness will Vitesse have in place prior to or at the time of the Distribution?***

A: We intend to enter into the New Revolving Credit Facility in connection with the Spin-Off. The New Revolving Credit Facility will replace the Existing Revolving Credit Facility of Vitesse Energy. As the terms of the credit agreement governing the New Revolving Credit Facility are finalized, we will provide the required and appropriate information in subsequent amendments to the Registration Statement on Form 10 of which this Information Statement is a part.

**Q: *How will Vitesse common stock trade?***

A: Currently, there is no public market for our common stock. We intend to list our common stock on the NYSE under the ticker symbol "VTS."

We anticipate that trading in our common stock will begin on a "when-issued" basis on or shortly before the Record Date for the Distribution and will continue up to and including the Distribution Date. "When-issued" trading in the context of a spin-off refers to a sale or purchase made conditionally on or before the Distribution Date because the securities of the spun-off entity have not yet been distributed. "When-issued" trades generally settle within two trading days after the Distribution Date. On the first trading day following the Distribution Date, any "when-issued" trading of our common stock will end and "regular-way" trading will begin. "Regular-way" trading refers to trading after the security has been distributed and typically involves a trade that settles on the second full trading day following the date of the trade. See the section entitled "The Spin-Off—Trading Prior to the Distribution Date" for more information. We cannot predict the trading prices for our common stock before, on or after the Distribution Date.

**Q: *What will happen to the listing of Jefferies common stock?***

A: Jefferies common stock will continue to trade on the NYSE under the ticker symbol "JEF" after the Distribution.

**Q: *Will the Spin-Off affect the trading price of my Jefferies common stock?***

A: We expect the trading price of shares of Jefferies common stock immediately following the Distribution to be lower than the trading price immediately prior to the Distribution because the trading price will no longer reflect the value of Vitesse Energy. Furthermore, until the market has fully analyzed the value of Jefferies without Vitesse Energy, the trading price of shares of Jefferies common stock may fluctuate and result in a higher volatility in stock price. There can be no assurance that, following the Distribution, the combined trading prices of the Jefferies common stock and the Vitesse common stock will equal or exceed what the trading price of Jefferies common stock would have been in the absence of the Spin-Off.

It is possible that after the Spin-Off, the combined equity value of Jefferies and Vitesse will be less than Jefferies' equity value before the Spin-Off.

**Q: *What will Vitesse's relationship be with Jefferies following the Spin-Off?***

A: Following the Distribution, Vitesse and Jefferies will be separate companies with separate management teams and separate boards of directors and Jefferies will not own any shares of our common stock. Vitesse will enter into a Separation and Distribution Agreement and Tax Matters Agreement with Jefferies to effect the separation and provide a framework for the relationship between Vitesse and Jefferies after the Spin-Off, and will enter into certain other agreements. These agreements will, among other things, govern the relationship between Vitesse and Jefferies following the Spin-Off. For additional information regarding the Separation and Distribution Agreement and Tax Matters Agreement, see the sections entitled "Risk Factors—Risks Relating to the Spin-Off" and "Certain Relationships and Related Party Transactions."



**Q: Who will manage Vitesse following the Spin-Off?**

A: Vitesse will be led by Bob Gerrity, who will serve as Vitesse's Chief Executive Officer, Brian Cree, who will serve as Vitesse's President, and David Macosko, who will serve as Vitesse's Chief Financial Officer. For more information regarding Vitesse's directors and management, see the section entitled "Management."

**Q: Do I have appraisal rights in connection with the Spin-Off?**

A: No. Holders of Jefferies common stock are not entitled to appraisal rights in connection with the Spin-Off.

**Q: Who is the transfer agent and registrar for Vitesse common stock?**

A: [ ].

**Q: Are there risks associated with owning shares of Vitesse common stock?**

A: Yes. Our business faces both general and specific risks and uncertainties. Our business also faces risks relating to the Spin-Off. Following the Spin-Off, we will also face risks associated with being an independent, publicly traded company. Accordingly, you should read carefully the information set forth in the section entitled "Risk Factors."

**Q: What if I hold my shares through a broker, bank or other nominee?**

A: Jefferies shareholders who hold their shares through a broker, bank or other nominee will have their brokerage account credited with shares of Vitesse common stock. For additional information, those shareholders are encouraged to contact their broker, bank or nominee directly.

**Q: What if I have stock certificates reflecting my shares of Jefferies common stock? Should I send them to the transfer agent or to Jefferies?**

A: No. You should not send your stock certificates to the transfer agent or to Jefferies. You should retain your Jefferies stock certificates.

**Q: Where can I get more information?**

A: If you have any questions relating to the mechanics of the Distribution, you should contact the distribution agent at:

[ ]  
[ ]  
[ ]  
[ ]

Before the Spin-Off, if you have any questions relating to the Spin-Off, you should contact Jefferies at:

Investor Relations  
Jefferies Financial Group Inc.  
520 Madison Avenue  
New York, New York 10022  
Attn: Jonathan Freedman  
Phone: (212) 778-8913

After the Spin-Off, if you have any questions relating to Vitesse, you should contact us at:

Investor Relations  
Vitesse Energy, Inc.  
9200 E. Mineral Ave. Suite 200  
Centennial, Colorado 80112  
Attn: [                    ]  
Phone: (720) 361-2500

A link to our investor relations website and additional contact information will be made available at [www. \[                    \].com](http://www.[                    ].com) (which we expect to be operational on or prior to the Distribution Date). Information contained on, or connected to, our website does not and will not constitute part of this Information Statement or the Registration Statement on Form 10, of which this Information Statement is a part, or any other filings with, or any information furnished or submitted to, the SEC.

**SUMMARY OF THE SPIN-OFF**

Distributing Company	Jefferies Financial Group Inc., a New York corporation. After the Distribution, Jefferies will not own any shares of our common stock.
Distributed Company	Vitesse Energy, Inc., a newly formed Delaware corporation and an indirect majority owned subsidiary of Jefferies. At the time of the Distribution, we will hold, directly or through our subsidiaries, the assets and liabilities of Vitesse Energy and Vitesse Oil. After the Spin-Off, we will be an independent, publicly traded company.
Distributed Securities	Jefferies will distribute all of the shares of our common stock held by Jefferies, representing approximately [ ]% of our total issued and outstanding common stock immediately prior to the Distribution. Based on the approximately [ ] shares of Jefferies common stock outstanding on [ ], 2022, and applying the distribution ratio pursuant to which, for every [ ] shares of Jefferies common stock, [ ] share of Vitesse common stock will be distributed, approximately [ ] shares of Vitesse common stock will be distributed.
Record Date	The Record Date is the close of business on [ ], 2022.
Distribution Date	The Distribution Date is [ ], 2022.
Distribution Ratio	For every [ ] shares of Jefferies common stock each Jefferies shareholder holds on the Record Date, they will receive [ ] shares of our common stock. The distribution agent will distribute only whole shares of our common stock in the Spin-Off. See the section entitled “The Spin-Off—Treatment of Fractional Shares” for more detail. Please note that if you sell your shares of Jefferies common stock on or before the Distribution Date, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock to be distributed in respect of the Jefferies shares that you sold. For more information, see the section entitled “The Spin-Off—Trading Prior to the Distribution Date.”
The Distribution	On the Distribution Date, Jefferies will release the shares of our common stock to the distribution agent to distribute to Jefferies shareholders. Jefferies will distribute our shares in book-entry form and thus we will not issue any physical stock certificates. You will not be required to make any payment, surrender or exchange your shares of Jefferies common stock or take any other action to receive your shares of our common stock.
Fractional Shares	The distribution agent will not distribute any fractional shares of our common stock to Jefferies shareholders. Instead, the distribution agent will first aggregate fractional shares into whole shares, then sell the whole shares in the open market at prevailing market prices on behalf of Jefferies shareholders entitled to receive a fractional share, and finally distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). If you receive cash in lieu of fractional shares, you will not be entitled

Conditions to the Spin-Off

to any interest on the payments. The cash you receive in lieu of fractional shares generally will, for U.S. federal income tax purposes, be taxable as described under the section entitled "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off."

Completion of the Spin-Off is subject to the satisfaction, or the waiver of the Jefferies Board, of the following conditions:

- the Jefferies Board and our Board, as applicable, shall have authorized and approved the applicable Pre-Spin-Off Transactions (as described in the section entitled "The Spin-Off—Pre-Spin-Off Transactions") and Distribution and not withdrawn such authorization and approval, and shall have declared the dividend of our common stock to Jefferies shareholders;
- the ancillary agreements contemplated by the Separation and Distribution Agreement, including the Tax Matters Agreement, shall have been executed by each party to those agreements;
- our common stock shall have been accepted for listing on the NYSE or another national securities exchange approved by Jefferies, subject to official notice of issuance;
- the SEC shall have declared effective our Registration Statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- Jefferies shall have received the IRS Ruling, substantially to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1) (D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- Jefferies shall have received the written opinion of Morgan, Lewis & Bockius LLP, which shall remain in full force and effect, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1) (D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- the Jefferies Board shall have received one or more opinions (which have not been withdrawn or adversely modified) in customary form from one or more nationally recognized valuation, appraisal or accounting firms or investment banks as to the solvency and financial viability of Jefferies prior to the Spin-Off and each of Jefferies and Vitesse after the consummation of the Spin-Off;
- the Pre-Spin-Off Transactions shall have been completed;

- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of Jefferies shall have occurred or failed to occur that prevents the consummation of the Distribution;
- no other events or developments shall have occurred prior to the Distribution Date that, in the judgment of the Jefferies Board, would result in the Distribution having a material adverse effect on Jefferies or its shareholders;
- prior to the Distribution Date, notice of Internet availability of this Information Statement or this Information Statement shall have been mailed to the holders of Jefferies common stock as of the Record Date;
- Jefferies shall have duly elected the individuals listed as members of our post-Distribution Board in this Information Statement, and such individuals shall be the members of our Board, immediately after the Distribution; provided, however, that to the extent required by any law or requirement of the NYSE or any other national securities exchange, as applicable, the existing directors shall appoint one independent director prior to the date on which “when-issued” trading of our common stock begins and this independent director shall begin his or her term prior to the Distribution and shall serve on our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee; and
- immediately prior to the Distribution Date, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each in substantially the form filed as an exhibit to the Registration Statement on Form 10, of which this Information Statement is a part, shall be in effect.

The fulfillment of the foregoing conditions will not create any obligation on the part of Jefferies to complete the Spin-Off. We are not aware of any material U.S. federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock and the SEC’s declaration of the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, in connection with the Distribution. If the Jefferies Board waives any condition prior to the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, and the result of such waiver is material to Jefferies shareholders, Jefferies will file an amendment to the Registration Statement to revise the disclosure in this Information Statement accordingly. In the event that the Jefferies Board waives a condition after this Registration Statement becomes effective and such waiver is material to Jefferies shareholders, Jefferies will communicate such change to Jefferies shareholders by filing a Current Report on Form 8-K describing the change. For a complete discussion of all of the conditions to the Distribution, see the section entitled “The Spin-Off—Conditions to the Spin-Off.”

Trading Market and Ticker Symbol	<p>In addition, Jefferies has the right not to complete the Spin-Off if, at any time, the Jefferies Board determines, in its sole and absolute discretion, that the Spin-Off is not in the best interests of Jefferies or its shareholders, or is otherwise not advisable. If the Spin-Off is not completed for any reason, Jefferies and Vitesse will have incurred significant costs related to the Spin-Off, including fees for consultants, financial and legal advisors, accountants and auditors, that will not be recouped. Total one-time transaction costs associated with the Spin-Off are preliminarily estimated to range from \$[ ] to \$[ ] if the Spin-Off is completed. If the Spin-Off is not completed for any reason, the one-time transaction costs will generally be limited to the transaction costs incurred for services rendered as of the date the Spin-Off is abandoned, which will be less than the ranges noted above. Our management has devoted significant time to manage the Spin-Off process, which has decreased the time they have had to manage the business of Vitesse.</p>
Material Tax Consequences to Jefferies Shareholders	<p>We intend to file an application to list our common stock on the NYSE under the ticker symbol "VTS." We anticipate that, on or shortly before the Record Date, trading of shares of our common stock will begin on a "when-issued" basis and will continue up to and including the Distribution Date, and we expect that "regular-way" trading of our common stock will begin the first trading day after the Distribution Date.</p> <p>We also anticipate that, on or shortly before the Record Date, there will be two markets in Jefferies common stock: (1) a "regular-way" market on which shares of Jefferies common stock will trade with an entitlement for the purchaser of Jefferies common stock to receive shares of our common stock to be distributed in the Distribution, and (2) an "ex-distribution" market on which shares of Jefferies common stock will trade without an entitlement for the purchaser of Jefferies common stock to receive shares of our common stock. For more information, see the section entitled "The Spin-Off—Trading Prior to the Distribution Date."</p> <p>It is a condition to the completion of the Distribution that Jefferies receives (1) the IRS Ruling and (2) an opinion of Morgan, Lewis &amp; Bockius LLP, each substantially to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code. Accordingly, assuming the Distribution so qualifies for U.S. federal income tax purposes, no gain or loss will be recognized by, or be includible in the income of, a U.S. Holder (as defined in the section entitled "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off") as a result of the Distribution, except with respect to any cash received by Jefferies shareholders in lieu of fractional shares.</p>

Relationship with Jefferies After the Spin-Off	<p>We urge you to consult your tax advisor as to the specific tax consequences of the Distribution to you, including the effect of any U.S. federal, state, local or foreign tax laws and of changes in applicable tax laws.</p>
Dividend Policy	<p>We intend to enter into several agreements with Jefferies related to the Spin-Off, which will govern the relationship between Jefferies and us up to and after completion of the Spin-Off and allocate between Jefferies and us various assets, liabilities, rights and obligations. These agreements include:</p> <ul style="list-style-type: none"><li>▪ a Separation and Distribution Agreement that will set forth Jefferies' and our agreements regarding the principal actions that both parties will take in connection with the Spin-Off and aspects of our relationship following the Spin-Off; and</li><li>▪ a Tax Matters Agreement that will govern the respective rights, responsibilities and obligations of Jefferies and us after the Spin-Off with respect to all tax matters and will include restrictions to preserve the tax-free status of the Distribution.</li></ul> <p>In addition to the above agreements, we are also currently party to, or intend to enter into, various other agreements with Jefferies and its subsidiaries, and we do not consider these agreements to be material to Jefferies and its subsidiaries. We describe these arrangements in greater detail under the section entitled "Certain Relationships and Related Party Transactions" and describe some of the risks of these arrangements under the section entitled "Risk Factors—Risks Relating to the Spin-Off."</p>
Transfer Agent	[            ].
Risk Factors	<p>Our business faces both general and specific risks and uncertainties. Our business also faces risks relating to the Spin-Off. Following the Spin-Off, we will also face risks associated with being an independent, publicly traded company. Accordingly, you should read carefully the information set forth under the section entitled "Risk Factors."</p>

## RISK FACTORS

*You should carefully consider the following risks and other information in this Information Statement. The following risks have generally been separated into five groups: risks relating to the Spin-Off, risks relating to our common stock, risks relating to our business, risks relating to our indebtedness and risks relating to legal and regulatory matters. If any of the following events actually occur, our business, financial condition and results of operations could be materially adversely affected, the trading price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties that we do not presently know about or currently believe are not material may also adversely affect our business, financial condition and results of operations.*

### Risks Relating to the Spin-Off

***If the Distribution does not qualify as a transaction that is tax-free for U.S. federal income tax purposes, Jefferies and holders of Jefferies common stock who receive shares of Vitesse common stock in connection with the Spin-Off could be subject to significant tax liability.***

Completion of the Spin-Off is conditioned on Jefferies' receipt of (1) the IRS Ruling and (2) an opinion of Morgan, Lewis & Bockius LLP, each substantially to the effect that, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code.

Although the IRS Ruling, if received, will generally be binding on the IRS, the continuing validity of the IRS Ruling will be subject to the accuracy of the factual representations made in the ruling request. In addition, Jefferies expects to obtain an opinion of Morgan, Lewis & Bockius LLP as described above. In rendering its opinion, Morgan, Lewis & Bockius LLP will rely on (1) customary representations and covenants made by Jefferies and Vitesse and (2) specified assumptions, including an assumption regarding the completion of the Distribution and certain related transactions in the manner contemplated by the transaction agreements. If any of those representations, covenants or assumptions are inaccurate, Morgan, Lewis & Bockius LLP may not be able to provide the opinion and the tax consequences of the Distribution and certain related transactions could differ from those described in this Information Statement. An opinion of counsel neither binds the IRS nor precludes the IRS or the courts from adopting a contrary position. Accordingly, notwithstanding the anticipated receipt of the IRS Ruling or tax opinion, there can be no assurance that the IRS or a court will not take a contrary position and the consequences of the Distribution and certain related transactions to Jefferies and the holders of Jefferies common stock could be materially different from, and worse than, the U.S. federal income tax consequences described in this Information Statement.

If it were determined that the Distribution, together with certain related transactions, did not qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and the Distribution did not qualify as a distribution to which Section 355 of the Code applies, Jefferies would generally be subject to tax as if it sold the Vitesse common stock in a transaction taxable to Jefferies, which could result in a material tax liability. In addition, Jefferies shareholders who are U.S. Holders would generally, for U.S. federal income tax purposes, be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which could result in a material tax liability.

For more information, see below and the section entitled "The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off."

***We intend to agree to numerous restrictions to preserve the non-recognition treatment of the Distribution, which may reduce our strategic and operating flexibility.***

We intend to agree in the Tax Matters Agreement to covenants and indemnification obligations that address compliance with Section 355(e) of the Code. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may otherwise maximize the value of our business, and might discourage or delay a strategic transaction that our stockholders may consider favorable, including share repurchases, stock issuances, certain asset dispositions and other strategic transactions.



To preserve the tax-free treatment of the Distribution, and in addition to our indemnity obligations described above, the Tax Matters Agreement will restrict us, for the two-year period following the Distribution, except in specific circumstances, from: (1) entering into any transaction pursuant to which all or a specified portion of our stock would be acquired, whether by merger or otherwise, (2) issuing equity securities beyond certain thresholds, (3) repurchasing shares of our stock other than in certain open-market transactions, (4) ceasing to actively conduct certain of our businesses or (5) taking or failing to take any other action that prevents the Distribution and certain related transactions from qualifying as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. For more information, see the section entitled "Certain Relationships and Related Party Transactions."

***We could have an indemnification obligation to Jefferies if the Distribution were determined not to qualify for tax-free treatment for U.S. federal tax purposes, which could materially adversely affect our business, financial condition and results of operations.***

If it were determined that the Distribution, together with certain related transactions, were not to qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and the Distribution did not qualify as a distribution to which Section 355 of the Code applies, we could, under certain circumstances, be required to indemnify Jefferies for the resulting taxes and related expenses. Any such indemnification obligation could materially adversely affect our business, financial condition and results of operations.

In addition, even if the Distribution were otherwise to qualify as a tax-free transaction under Section 368(a)(1)(D) and Section 355 of the Code, the Distribution would be taxable to Jefferies (but not to Jefferies' stockholders) pursuant to Section 355(e) of the Code if there were a 50% or greater change in ownership of either Jefferies or Vitesse, directly or indirectly, as part of a plan or series of related transactions that included the Distribution. For this purpose, any acquisitions of Jefferies or our common stock during the four-year period beginning on the date that begins two years before the date of the Distribution are presumed to be part of such a plan, although we or Jefferies may rebut that presumption. If the Distribution were taxable to Jefferies due to such a 50% or greater change in ownership, we could be required to indemnify Jefferies for the resulting tax liability. Any such indemnification obligation could materially adversely affect our business, financial condition and results of operations. For more information, see the section entitled "Certain Relationships and Related Party Transactions."

***We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off, which could materially adversely affect our business, financial condition and results of operations.***

We believe that, as an independent, publicly traded company, we will be able to, among other things, more effectively articulate a clear investment proposition to attract a long-term investor base suited to our business, growth profile and capital allocation priorities.

However, we may not achieve the anticipated benefits from the Spin-Off for a variety of reasons, including, among other things:

- the Spin-Off will require significant amounts of management's time and effort, which may divert our management's attention from operating and growing our business;
- following the Spin-Off, we may be more susceptible to market fluctuations, the risk of takeover by third parties and other adverse events because our business will be less diversified than Jefferies' businesses prior to the Spin-Off;
- the Spin-Off may require us to incur significant costs, including accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management personnel who are new to our company, costs to retain key management personnel, tax costs and costs to shared systems and other unforeseen dis-synergy costs; and
- under the terms of the Tax Matters Agreement that we will enter into with Jefferies, we will be restricted from taking certain actions that could cause the Spin-Off or other related transactions to fail to qualify as a tax-free transaction and these restrictions may limit us for a period of time from pursuing certain strategic transactions and equity issuances or engaging in other transactions that might increase the value of our business.

If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business, financial condition and results of operations could be materially adversely affected.

***Our management and accounting systems may not be adequately prepared to meet the reporting and other requirements to which we will become subject following the Spin-Off, and we will incur increased costs as a result of being an independent publicly traded company.***

As an independent public company, we will separately become subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act and will be required to prepare our financial statements according to the rules and regulations required by the SEC. These reporting and other obligations will place significant demands on our management and on administrative and operational resources. Moreover, to comply with these requirements, we anticipate that we will need to implement additional financial and management controls, reporting systems and procedures, and may need to hire additional accounting and finance staff. We expect to incur additional annual expenses related to these requirements. If we are unable to upgrade our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. We also expect to incur additional expenses in order to obtain new director and officer liability insurance.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as an independent publicly traded company. As such, our historical financial data may not be indicative of our future performance as an independent, publicly traded company. For additional information about our past financial performance and the basis of presentation of our financial statements, see the sections entitled "Selected Historical Financial Data," "Unaudited Pro Forma Condensed Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and the notes thereto included in the section entitled "Index to Financial Statements."

***Federal and state fraudulent transfer laws and New York and Delaware corporate law may permit a court to void the Distribution and related transactions, which could have a material adverse effect on our business, financial condition and results of operations.***

In connection with the Distribution, Jefferies intends to undertake the Pre-Spin-Off Transactions which, along with the Distribution, may be subject to challenge under federal and state fraudulent conveyance and transfer laws as well as under New York or Delaware corporate law. Under applicable laws, any transaction, contribution or distribution contemplated as part of the Distribution could be voided as a fraudulent transfer or conveyance if, among other things, the transferor received less than reasonably equivalent value or fair consideration in return and the transferor was insolvent or rendered insolvent by reason of the transfer.

We cannot be certain as to the standards a court would use to determine whether any entity involved in the Distribution was insolvent at the relevant time. In general, however, a court would look at various facts and circumstances related to the entity in question, including evaluation of whether:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could pay its debts as they become due.

If a court were to find that any transaction, contribution or distribution involved in the Distribution was a fraudulent transfer or conveyance, the court could void the transaction, contribution or distribution. In addition, the Distribution could also be voided if a court were to find that it is not a legal distribution or dividend under New York or Delaware corporate law. The resulting complications, costs and expenses of either finding could have a material adverse effect on our business, financial condition and results of operations.

***After the Spin-Off, certain members of management and directors may face actual or potential conflicts of interest.***

After the Spin-Off, certain members of the management and directors of each of Jefferies and Vitesse may own common stock in both companies and Ms. Linda Adamany and Messrs. Brian Friedman and Joseph Steinberg, each of whom will be a member of our Board upon the completion of the Spin-Off, will also continue to serve on the Jefferies Board, and may be required to recuse themselves from deliberations relating to arrangements between us and Jefferies in the future. This ownership and directorship overlap could create, or appear to create, potential conflicts of interest when the management and directors of one company face decisions that could have different implications for themselves and the other company. For example, potential conflicts of interest could arise in connection with the resolution of any dispute regarding the terms of the agreements governing the separation and our relationship with Jefferies thereafter. These agreements include the Separation and Distribution Agreement, the Tax Matters Agreement and any commercial or service agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that we or Jefferies may enter into in the future. For more information, see the section entitled "Certain Relationships and Related Party Transactions—Other Transactions and Relationships with Related Persons."

***Our acquisitions of Vitesse Energy and Vitesse Oil may require the consents or approvals of, or provide other rights to, third parties and governmental authorities. If such consents or approvals are not obtained, we may not be entitled to the benefit of certain contracts, permits and other assets and rights, which could increase our expenses or otherwise harm our business and financial performance.***

In connection with our acquisitions of Vitesse Energy and Vitesse Oil, the transfer of certain contracts, permits and other assets and rights may require consents or approvals of third parties or governmental authorities or provide other rights to third parties. Some parties may use consent requirements or other rights to terminate contracts or obtain more favorable contractual terms from us, which, for example, could take the form of price increases, require us to expend additional resources in order to obtain the services or assets previously provided under the contract, or require us to make arrangements with new third parties or obtain letters of credit or other forms of credit support. If we do not obtain required consents or approvals, we may be unable to obtain the benefits, permits, assets and contractual commitments that we intended to acquire in connection with our acquisitions of Vitesse Energy and Vitesse Oil, and we may be required to seek alternative arrangements to obtain services and assets which may be more costly and of lower quality. The termination, modification, replacement or replication of these contracts or permits or the failure to timely complete the transfer or separation of these contracts or permits could materially adversely affect our business, financial condition and results of operations.

***Until the Distribution occurs, the Jefferies Board may change the terms of the Spin-Off in ways that may be unfavorable to us.***

Until the Distribution occurs, we will continue to be a subsidiary of Jefferies. Accordingly, Jefferies has the discretion to determine and change the terms of the Spin-Off, including the establishment of the Record Date and the Distribution Date, and these changes could be unfavorable to us. In addition, the Jefferies Board may decide not to proceed with the Spin-Off at any time prior to the Distribution.

***No vote of Jefferies shareholders is required in connection with the Spin-Off. As a result, if the Spin-Off occurs and you do not want to receive our common stock in the Distribution, your sole recourse will be to divest yourself of your Jefferies common stock prior to the Record Date or in the "regular-way" trading market during the period prior to the Distribution.***

No vote of Jefferies shareholders is required in connection with the Spin-Off. Accordingly, if the Distribution occurs and you do not want to receive our common stock in the Distribution, your only recourse will be to divest yourself of your Jefferies common stock prior to the Record Date or in the "regular-way" trading market during the period prior to the Distribution.

### **Risks Relating to Our Common Stock**

***No market for our common stock currently exists and an active trading market may not develop or be sustained after the Spin-Off. Following the Spin-Off our stock price may fluctuate significantly.***

There is currently no public market for our common stock. We intend to apply to list our common stock on the NYSE. We anticipate that before the Distribution Date, trading of shares of our common stock will begin on a “when-issued” basis and this trading will continue up to and including the Distribution Date. However, an active trading market for our common stock may not develop as a result of the Spin-Off or may not be sustained in the future. The lack of an active market may make it more difficult for stockholders to sell our shares and could lead to our share price being depressed or volatile.

We cannot predict the prices at which our common stock may trade after the Spin-Off. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our business, financial condition and results of operations due to factors related to our business;
- competition in the oil and natural gas industry and our ability to compete successfully;
- success or failure of our business strategies;
- our ability to retain and recruit qualified personnel;
- our quarterly or annual earnings, or those of other companies in our industry;
- our level of indebtedness, our ability to make payments on or service our indebtedness and our ability to obtain financing as needed;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our common stock after the Spin-Off;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and the oil and natural gas industry;
- overall market fluctuations, including the cyclical nature of the oil and natural gas market;
- results from any material litigation or government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business; and
- general economic conditions, credit and capital market conditions and other external factors.

Furthermore, our business profile and market capitalization may not fit the investment objectives of some Jefferies shareholders and, as a result, these Jefferies shareholders may sell their shares of our common stock after the Distribution. See “—Substantial sales of our common stock may occur in connection with the Spin-Off, which could cause our stock price to decline.” Low trading volume for our stock may occur if, among other reasons, an active trading market does not develop. This would amplify the effect of the above factors on our stock price volatility.

***Substantial sales of our common stock may occur in connection with the Spin-Off, which could cause our stock price to decline.***

Jefferies shareholders receiving shares of our common stock in the Distribution generally may sell those shares immediately in the public market. It is likely that some Jefferies shareholders, including some of its larger shareholders, will sell their shares of our common stock received in the Distribution if, for reasons such as our business profile or market capitalization as an independent company, we do not fit their investment objectives, or, in the case of index funds, we are not a participant in the index in which they are investing. The sales of significant amounts of our common stock or the perception in the market that this will occur may decrease the market price of our common stock.

***We are an emerging growth company and the information we provide stockholders may be different from information provided by other public companies, which may result in a less active trading market for our common stock and higher volatility in our stock price.***

We are an “emerging growth company” as defined by the Jumpstart Our Business Startups Act of 2012. We will continue to be an emerging growth company until the earliest to occur of the following:

- the last day of the fiscal year in which our total annual gross revenues first meet or exceed \$1.07 billion (as adjusted for inflation);
- the date on which we have, during the prior three-year period, issued more than \$1.0 billion in non-convertible debt;
- the last day of the fiscal year in which we (1) have an aggregate worldwide market value of common stock held by non-affiliates of \$700 million or more (measured at the end of each fiscal year) as of the last business day of our most recently completed second fiscal quarter and (2) have been a reporting company under the Exchange Act for at least one year (and filed at least one annual report under the Exchange Act); or
- the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act.

For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002;
- exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirement of holding a nonbinding advisory vote on executive compensation and stockholder approval on golden parachute compensation not previously approved.

We may choose to take advantage of some or all of these reduced burdens. For example, we have taken advantage of the reduced disclosure obligations regarding executive compensation in this Information Statement. For as long as we take advantage of the reduced reporting obligations, the information we provide stockholders may be different from information provided by other public companies. In addition, it is possible that some investors will find our common stock less attractive as a result of these elections, which may result in a less active trading market for our common stock and higher volatility in our stock price.

In addition, we intend to take advantage of the extended transition period that allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Our election to use the extended transition period permitted by this election may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the extended transition period and who will comply with new or revised financial accounting standards.

***Although we expect to pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock.***

Following the Spin-Off, the timing, declaration, amount of and payment of future dividends, if any, to stockholders will fall within the discretion of our Board. Our Board’s decisions regarding the payment of future dividends, if any, will depend upon many factors, including our financial condition, earnings, capital requirements of our business, covenants associated with certain of our debt service obligations, legal requirements or limitations, industry practice, and other factors deemed relevant by our Board. We have not adopted, and do not currently expect to adopt, a separate written dividend policy to reflect our Board’s policy. For more information, see the section entitled “Dividend Policy.” There can be no assurance that we will pay a dividend in the future or continue to pay any

dividend if we do commence paying dividends, and there can be no assurance that, in the future, the combined annual dividends paid on Jefferies common stock, if any, and our common stock, if any, after the Spin-Off will equal the annual dividends on Jefferies common stock prior to the Spin-Off.

***Certain provisions in our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage takeovers.***

Several provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that is opposed by our Board. These include provisions that:

- prevent our stockholders from calling a special meeting or acting by written consent;
- require advance notice of any stockholder nomination for the election of directors or any stockholder proposal;
- provide for a plurality voting standard in director elections;
- authorize only our Board to fill director vacancies and newly created directorships;
- authorize our Board to adopt, amend or repeal our Amended and Restated Bylaws without stockholder approval; and
- authorize our Board to issue one or more series of "blank check" preferred stock.

In addition, Section 203 of the DGCL, prohibits a Delaware corporation from engaging in a business combination with any interested stockholder for a period of three years following the date the person became an interested stockholder, subject to certain exceptions. In general, Section 203 of the DGCL defines an "interested stockholder" as an entity or person who, together with the entity's or person's affiliates, beneficially owns, or is an affiliate of the corporation and within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation. A Delaware corporation may "opt out" of these provisions with an express provision in its certificate of incorporation. We have not opted out of Section 203 of the DGCL in our Amended and Restated Certificate of Incorporation.

These and other provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of us including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. For more information, see the section entitled "Description of Our Capital Stock—Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws."

***Your percentage ownership in Vitesse may be diluted in the future.***

Your percentage ownership in Vitesse may be diluted in the future because of the settlement or exercise of equity-based awards that we expect to grant to our directors, officers and other employees. Prior to completion of the Spin-Off, we expect to approve an equity incentive plan that will provide for the grant of equity-based awards to our directors, officers and other employees, including equity grants that are expected to be made upon completion of the Spin-Off. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments that we may make in the future or as necessary to finance our ongoing operations.

In addition, our Amended and Restated Certificate of Incorporation will authorize us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions, as our Board may generally determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of the members of our Board in all events or upon the happening of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences that we could assign to holders of preferred stock could affect the residual value of our common stock. For more information, see the section entitled "Description of Our Capital Stock."

***The rights associated with our common stock will differ from the rights associated with Jefferies common stock.***

Upon completion of the Distribution, the rights of Jefferies shareholders who become our stockholders will be governed by our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and by Delaware law. The rights associated with Jefferies shares are different from the rights associated with our shares. In addition, the rights of Jefferies shareholders are governed by New York law, while the rights of our stockholders will be governed by Delaware law. Material differences between the rights of Jefferies shareholders and the rights of our stockholders include differences with respect to, among other things, certain anti-takeover measures.

For more information, see the section entitled “Description of Our Capital Stock—Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.”

***Our Amended and Restated Certificate of Incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.***

Our Amended and Restated Certificate of Incorporation will provide that, in all cases to the fullest extent permitted by law, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of our company to us or our stockholders;
- any action or proceeding asserting a claim arising pursuant to, or seeking to enforce any right, obligation or remedy under, any provision of Delaware law or our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws (with respect to each, as may be amended from time to time); or
- any action or proceeding asserting a claim governed by the internal affairs doctrine or any other action asserting an “internal corporate claim” as that term is defined in Section 115 of the DGCL.

However, if the Court of Chancery of Delaware does not have jurisdiction, the action or proceeding may be brought in any other state or U.S. federal court located within the State of Delaware. Further, this exclusive forum provision will not apply to suits brought to enforce a duty or liability created by the Exchange Act or the Securities Act.

Any person holding, purchasing or otherwise acquiring any interest in shares of capital stock of us will be deemed to have notice of and have consented to this provision and deemed to have waived any argument relating to the inconvenience of the forum in connection with any action or proceeding described in this provision. This provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court of competent jurisdiction were to find this provision of our Amended and Restated Certificate of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

**Risks Relating to Our Business**

***The COVID-19 pandemic has had, and may continue to have, an adverse effect on our financial condition and results of operations.***

We face risks related to public health crises, including the COVID-19 pandemic. The effects of the COVID-19 pandemic, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders and recommendations to practice social distancing in addition to other actions taken by both businesses and governments, resulted in a significant and swift reduction in international and U.S. economic activity. The collapse in the demand for oil caused by this unprecedented global health and economic crisis contributed to the significant decrease in oil prices in 2020 and had and could in the future continue to have an adverse impact on our financial condition and results of operations.

Since the beginning of 2021, the distribution of COVID-19 vaccines progressed and many government-imposed restrictions were relaxed or rescinded. However, we continue to monitor the effects of the pandemic on our

operations. As a result of the ongoing COVID-19 pandemic, our operations, and those of our operators, have and may continue to experience delays or disruptions and temporary suspensions of operations. In addition, our results of operations and financial condition have been and may continue to be adversely affected by the ongoing COVID-19 pandemic.

The extent to which our operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond our control, such as the emergence of more contagious and harmful variants of the COVID-19 virus, the duration and scope of the pandemic, additional actions by businesses and governments in response to the pandemic, and the speed and effectiveness of responses to combat the virus. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, could also aggravate the other risk factors that we identify herein. While the effects of the COVID-19 pandemic have lessened recently in the United States, we cannot predict the duration or future effects of the pandemic, or more contagious and harmful variants of the COVID-19 virus, and such effects may adversely affect our results of operations and financial condition in a manner that is not currently known to us or that we do not currently consider to present significant risks to our operations.

***Oil and natural gas prices are volatile. Extended declines in oil and natural gas prices have adversely affected, and could in the future adversely affect, our business, financial position, results of operations and cash flow.***

The oil and natural gas markets are very volatile, and we cannot predict future oil and natural gas prices. Oil and natural gas prices have fluctuated significantly, including periods of rapid and material decline, in recent years. The prices we receive for our oil and natural gas production heavily influence our production, revenue, cash flows, profitability, reserve bookings and access to capital. Although we seek to mitigate volatility and potential declines in oil and natural gas prices through derivative arrangements that hedge a portion of our expected production, this merely seeks to mitigate (not eliminate) these risks, and such activities come with their own risks.

The prices we receive for our oil and natural gas production and the levels of our production depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- changes in NYMEX WTI oil prices and NYMEX Henry Hub natural gas prices;
- the volatility and uncertainty of regional pricing Differentials;
- the actions of OPEC and other major oil producing countries;
- worldwide and regional economic, political and social conditions impacting the global supply and demand for oil and natural gas, which may be driven by various risks including war, terrorism, political unrest, or health epidemics (such as the global COVID-19 coronavirus outbreak);
- the price and quantity of imports of foreign oil and natural gas;
- political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activity;
- the outbreak or escalation of military hostilities, including between Russia and Ukraine, and the potential destabilizing effect such conflicts may pose for the European continent or the global oil and natural gas markets;
- inflation;
- the level of global oil and natural gas exploration, production activity and inventories;
- changes in U.S. energy policy;
- weather conditions;
- outbreak of disease;
- technological advances affecting energy consumption;
- domestic and foreign governmental taxes, tariffs and/or regulations;
- proximity and capacity of processing, gathering, and storage facilities, oil and natural gas pipelines and other transportation facilities;
- the price and availability of competitors' supplies of oil and natural gas in captive market areas; and
- the price and availability of alternative fuels.



These factors and the volatility of the energy markets make it extremely difficult to predict oil and natural gas prices. A substantial or extended decline in oil or natural gas prices, such as the significant and rapid decline that occurred in 2020, has resulted in and could result in future impairments of our proved oil and natural gas properties and may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. To the extent oil and natural gas prices received from production are insufficient to fund planned capital expenditures, we may be required to reduce spending or borrow or issue additional equity to cover any such shortfall. Lower oil and natural gas prices may limit our ability to comply with the covenants under our New Revolving Credit Facility and/or limit our ability to access borrowing availability thereunder, which is dependent on many factors including the value of our proved reserves.

***Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our financial condition or results of operations.***

Our operators' drilling activities are subject to many risks, including the risk that they will not discover commercially productive reservoirs. Drilling for oil or natural gas can be uneconomical, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, drilling and producing operations on our acreage may be curtailed, delayed or canceled by our operators as a result of other factors, including:

- declines in oil or natural gas prices;
- infrastructure limitations, such as the natural gas gathering and processing constraints experienced in the Williston Basin in 2019;
- the high cost, shortages or delays of equipment, materials and services;
- unexpected operational events, pipeline ruptures or spills, adverse weather conditions and natural disasters, facility or equipment malfunctions, and equipment failures or accidents;
- title problems;
- pipe or cement failures and casing collapses;
- lost or damaged oilfield development and services tools;
- laws, regulations, and other initiatives related to environmental matters, including those addressing alternative energy sources, the phase-out of fossil fuel vehicles and the risks of global climate change;
- compliance with environmental and other governmental requirements;
- increases in severance taxes;
- regulations, restrictions, moratoria and bans on hydraulic fracturing;
- unusual or unexpected geological formations, and pressure or irregularities in formations;
- loss of drilling fluid circulations;
- environmental hazards, such as oil, natural gas or well fluids spills or releases, pipeline or tank ruptures and discharges of toxic gas;
- fires, blowouts, craterings and explosions;
- uncontrollable flows of oil, natural gas or well fluids;
- pipeline capacity curtailments; and
- demand from investors to return capital to investors and/or conduct share repurchases.

In addition to causing curtailments, delays and cancellations of drilling and producing operations, many of these events can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties. We ordinarily maintain insurance against various losses and liabilities arising from our operations; however, insurance against all operational risks is not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

***Due to previous declines in oil and natural gas prices, we have in the past taken writedowns of our oil and natural gas properties. We may be required to record further writedowns of our oil and natural gas properties in the future.***

In 2020, we were required to write down the carrying value of certain of our oil and natural gas properties, and further writedowns could be required in the future. Under the successful efforts method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvage values, using the units-of-production method on the basis of a reasonable aggregation of properties within a common geological structural feature or stratigraphic condition, such as a reservoir or field. Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred. The sale of a partial interest in a proved property is accounted for as a cost recovery, and no gain or loss is recognized as long as this treatment does not significantly affect the units-of-production amortization rate. A gain or loss is recognized for all other sales of proved properties.

We review our oil and natural gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. We estimate the expected future cash flows of our oil and natural gas properties and compare such cash flows to the carrying amount of the proved oil and natural gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will adjust our proved oil and natural gas properties to estimated fair value. The factors used to estimate fair value include estimates of reserves, future oil and natural gas prices adjusted for basis Differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks.

A continued period of low prices may force us to incur further material write-downs of our oil and natural gas properties, which could have a material effect on the value of our properties and cause the value of our securities to decline in value. Additionally, impairments would occur if we were to experience sufficient downward adjustments to our estimated proved reserves or the present value of estimated future net revenues. An impairment recognized in one period may not be reversed in a subsequent period even if higher oil and natural gas prices increase the cost center ceiling applicable to the subsequent period. We have in the past and could in the future incur additional impairments of oil and natural gas properties which may be material.

***Our estimated proved, probable and possible reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our total reserves.***

Determining the amount of oil and natural gas recoverable from various formations involves significant complexity and uncertainty. No one can measure underground accumulations of oil or natural gas in an exact way. Oil and natural gas reserve engineering requires subjective estimates of underground accumulations of oil and/or natural gas and assumptions concerning future oil and natural gas prices, production levels, and operating, and development costs. Some of our reserve estimates are made without the benefit of a lengthy production history and are less reliable than estimates based on a lengthy production history. As a result, estimated quantities of proved, probable and possible reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate.

We routinely make estimates of oil and natural gas reserves in connection with managing our business and preparing reports to our lenders and investors, including in some cases estimates prepared by our internal reserve engineers and professionals that are not reviewed or audited by an independent reserve engineering firm. We make these reserve estimates using various assumptions, including assumptions as to oil and natural gas prices, development schedules, drilling and operating expenses, capital expenditures, taxes and availability of funds. Some of these assumptions are inherently subjective, and the accuracy of our reserve estimates relies in part on the ability of our management team, reserve engineers and other advisors to make accurate assumptions. Any significant variance from these assumptions by actual figures could greatly affect our estimates of total reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of the future net cash flows. Numerous changes over time to the assumptions on which our reserve estimates are based result in the actual quantities of oil and natural gas our operators ultimately recover being different from our reserve estimates. Any significant variance could materially

affect the estimated quantities and present value of reserves shown in this Information Statement, subsequent reports we file with the SEC or other company materials.

***Our future success depends on our ability to replace reserves.***

Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful development activities or, through engineering studies, identify additional behind-pipe zones or secondary recovery reserves, our proved reserves will decline as our reserves are produced. We have added significant net wells and production from wellbore-only acquisitions, where we don't hold the underlying leasehold interest that would entitle us to participate in future wells. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost.

We may acquire significant amounts of unproved property to further our development efforts. Development and drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. We seek to acquire both proved and producing properties as well as undeveloped acreage that we believe will enhance growth potential and increase our earnings over time. However, we cannot assure you that all of these properties will contain economically viable reserves or that we will not abandon existing properties. Additionally, we cannot assure you that unproved reserves or undeveloped acreage that we acquire will be profitably developed, that new wells drilled on our properties will be productive or that we will recover all or any portion of our capital in our properties and reserves.

***The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated proved reserves.***

We base the estimated discounted future net cash flows from our proved reserves using Standardized Measure and PV-10, each of which uses specified pricing and cost assumptions. However, actual future net cash flows from our oil and natural gas properties will be affected by factors such as the volume, pricing and duration of our hedging contracts; actual prices we receive for oil and natural gas; our actual operating costs in producing oil and natural gas; the amount and timing of our capital expenditures; the amount and timing of actual production; and changes in governmental regulations or taxation. For example, our estimated proved reserves as of November 30, 2021 were calculated under SEC rules by applying year-end SEC prices based on the twelve-month unweighted arithmetic average of the first day of the month oil and natural gas prices for such year end of \$64.81 per Bbl and \$3.46 per MMBtu, which for certain periods during this time were substantially different from the available market prices. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves, which could adversely affect our business, results of operations and financial condition.

***Our business depends on transportation and processing facilities and other assets that are owned by third parties.***

The marketability of our oil and natural gas depends in part on the availability, proximity and capacity of pipeline systems, processing facilities, oil trucking fleets and rail transportation assets owned by third parties. The lack of available capacity on these systems and facilities, whether as a result of proration, growth in demand outpacing growth in capacity, physical damage, scheduled maintenance, legal or other reasons such as suspension of service due to legal challenges (see below regarding the Dakota Access Pipeline), could result in a substantial increase in costs, declines in realized oil and natural gas prices, the shut-in of producing wells or the delay or discontinuance of development plans for our properties. In recent periods, we experienced significant delays and production curtailments, and declines in realized natural gas prices, that we believe were due in part to natural gas gathering and processing constraints in the Williston Basin. The negative effects arising from these and similar circumstances may last for an extended period of time. In many cases, operators are provided only with limited, if any, notice as to when these circumstances will arise and their duration. In addition, our wells may be drilled in locations that are serviced to a limited extent, if at all, by gathering and transportation pipelines, which may or may not have sufficient capacity to transport production from all of the wells in the area. As a result, we rely on third-party oil trucking to transport a significant portion of our production to third-party transportation pipelines, rail loading facilities and other market access points. In addition, the third parties on whom operators rely for transportation services are

subject to complex federal, state, tribal, and local laws that could adversely affect the cost, manner, or feasibility of conducting business on our oil and natural gas properties. Further, concerns about the safety and security of oil and gas transportation by pipeline may result in public opposition to pipeline development and increased regulation of pipelines by PHMSA. In recent years, PHMSA has increased regulation of onshore gas transmission systems, hazardous liquids pipelines, and gas gathering systems. For example, in November 2021, PHMSA issued a final rule that extended pipeline safety requirements to onshore gas gathering pipelines, and therefore could result in less capacity to transport our products by pipeline. Further, although we do not expect to incur direct costs as a result of increased PHMSA regulation, additional regulation could impact rates charged by our operators and impact their ability to enter into gathering and transportation agreements, which costs could be passed through to us.

The Dakota Access Pipeline (the "DAPL"), a major pipeline transporting oil from the Williston Basin, is subject to ongoing litigation that could threaten its continued operation. In July 2020, a federal district court vacated the DAPL's easement to cross the Missouri River at Lake Oahe and ordered the pipeline be shut down pending the completion of an environmental impact statement ("EIS") to determine whether the DAPL poses a threat to the Missouri River and drinking water supply of the Standing Rock Sioux Reservation. The shut-down order was later reversed on appeal and the DAPL currently remains in operation while the U.S. Army Corps of Engineers (the "Corps") conducts the review, which is currently anticipated to be completed in the fall of 2022. Following completion of the EIS, the Corps will determine whether to grant the DAPL an easement to cross the Missouri River at Lake Oahe or to shut down the pipeline. Moreover, the EIS or the Corps' decision with respect to an easement may subsequently be challenged in court. As a result, a shut-down remains possible, and there is no guarantee that the DAPL will be permitted to continue operations following the completion of the EIS. Any significant curtailment in gathering system or pipeline capacity, or the unavailability of sufficient third-party trucking or rail capacity, could adversely affect our business, results of operations and financial condition.

***Seasonal weather conditions, which may be impacted by climate change, may adversely affect our operators' ability to conduct drilling and completion activities and to sell oil and natural gas for periods of time, in some of the areas where our properties are located.***

Seasonal weather conditions can limit drilling and completion activities, selling oil and natural gas, and other operations in some of our operating areas. In the Williston Basin, drilling and other oil and natural gas activities on our properties can be adversely affected during the winter months by severe winter weather and drilling on our properties is generally performed during the summer and fall months. These seasonal constraints can pose challenges for meeting well drilling objectives and increase competition for equipment, supplies and personnel during the summer and fall months, which could lead to shortages and increase costs or delay operations. Additionally, many municipalities impose weight restrictions on the paved roads that lead to jobsites due to the muddy conditions caused by spring thaws. This could limit access to jobsites and operators' ability to service wells in these areas.

The frequency and severity of severe winter weather conditions which impact our business activities may also be impacted by the effects of climate change. Energy needs could increase or decrease as a result of extreme weather conditions depending on the duration and magnitude of any such climate changes. Increased energy use due to weather changes may require us to invest in order to serve increased demand. A decrease in energy use due to weather changes may affect our financial condition through decreased revenues. To the extent the frequency of extreme weather events increases, this could increase our operators' costs. If any of these results occur, it could have an adverse effect on our assets and cause us to incur costs in preparing for and responding to them. If any such effects were to occur, our financial condition and results of operations would be materially adversely affected.

***As a non-operator, the successful development of our assets relies extensively on third parties, which could have an adverse effect on our results of operations.***

We have only participated in wells operated by third parties. The success of our business operations depends on the timing of drilling activities and success of our third-party operators. If our operators are not successful in the development, exploitation, production and exploration activities relating to our leasehold interests, or are unable or unwilling to perform, our financial condition and results of operations would be adversely affected.

These risks are heightened in a low oil and natural gas price environment, which may present significant challenges to our operators. The challenges and risks faced by our operators may be similar to or greater than our own, including with respect to their ability to service their debt, remain in compliance with their debt instruments and, if necessary,

access additional capital. Oil and natural gas prices and/or other conditions have in the past and may in the future cause oil and natural gas operators to file for bankruptcy. The insolvency of an operator of any of our properties, the failure of an operator of any of our properties to adequately perform operations or an operator's breach of applicable agreements could reduce our production and revenue and result in our liability to governmental authorities for compliance with environmental, safety and other regulatory requirements, to the operator's suppliers and vendors and to royalty owners under oil and natural gas leases jointly owned with the operator or another insolvent owner.

Our operators will make decisions in connection with their operations (subject to their contractual and legal obligations to other owners of working interests), which may not be in our best interests. We may have no ability to exercise influence over the operational decisions of our operators, including the setting of capital expenditure budgets and drilling locations and schedules. Dependence on our operators could prevent us from realizing our target returns for those locations. The success and timing of development activities by our operators will depend on a number of factors that will largely be outside of our control, including oil and natural gas prices and other factors generally affecting the oil and natural gas industry's operating environment; the timing and amount of capital expenditures; their expertise and financial resources; approval of other participants in drilling wells; selection of technology; and the rate of production of reserves, if any.

***The inability of one or more of our operators to meet their obligations to us may adversely affect our financial results.***

Our exposures to credit risk are, in part, through receivables resulting from the sale of our oil and natural gas production, which operators market on our behalf to energy marketing companies, refineries and their affiliates. We are subject to credit risk due to the relative concentration of our oil and natural gas receivables with a limited number of operators. This concentration may impact our overall credit risk since these entities may be similarly affected by changes in economic and other conditions. A low oil and natural gas price environment may strain our operators, which could heighten this risk. The inability or failure of our operators to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

***We could experience periods of higher costs as activity levels fluctuate or if oil and natural gas prices rise. These increases could reduce our profitability, cash flow, and ability to complete development activities as planned.***

An increase in oil and natural gas prices or other factors could result in increased development activity and investment in our areas of operations, which may increase competition for and cost of equipment, labor and supplies. Shortages of, or increasing costs for, experienced drilling crews and equipment, labor or supplies could restrict our operators' ability to conduct desired or expected operations. In addition, capital and operating costs in the oil and natural gas industry have generally risen during periods of increasing oil and natural gas prices as producers seek to increase production in order to capitalize on higher oil and natural gas prices. In situations where cost inflation exceeds oil and natural gas price inflation, our profitability and cash flow, and our operators' ability to complete development activities as scheduled and on budget, may be negatively impacted. Any delay in the drilling of new wells or significant increase in drilling costs could reduce our revenues and profitability.

***The development of our proved, probable and possible undeveloped reserves may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, these undeveloped reserves may not be ultimately developed or produced.***

Approximately 7.4% of our estimated net proved, probable and possible reserves volumes were classified as proved undeveloped as of November 30, 2021. Development of undeveloped reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved undeveloped reserves as unproved reserves.

***Our acquisition strategy will subject us to certain risks associated with the inherent uncertainty in evaluating properties for which we have limited information.***

We intend to continue to expand our operations in part through acquisitions. Our decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic and other information, the results of which are often inconclusive and subject to various interpretations. Also, our reviews of acquired properties are inherently incomplete because it generally is not economically feasible to perform an in-depth review of the individual properties involved in each acquisition. Even a

detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and potential recoverable reserves. On-site inspections are often not performed on properties being acquired, and environmental matters, such as subsurface contamination, are not necessarily observable even when an on-site inspection is undertaken. Any acquisition involves other potential risks, including, among other things:

- the validity of our assumptions about reserves, future production, revenues and costs;
- a decrease in our liquidity by using a significant portion of our cash from operations or borrowing capacity to finance acquisitions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- the ultimate value of any contingent consideration agreed to be paid in an acquisition;
- dilution to stockholders if we use equity as consideration for, or to finance, acquisitions;
- the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- geological risk, which refers to the risk that hydrocarbons may not be present or, if present, may not be recoverable economically;
- an inability to hire, train or retain qualified personnel to manage and operate our growing business and assets; and
- an increase in our costs or a decrease in our revenues associated with any potential royalty owner or landowner claims or disputes, or other litigation encountered in connection with an acquisition.

We may also acquire multiple assets in a single transaction. Portfolio acquisitions via joint-venture or other structures are more complex and expensive than single project acquisitions, and the risk that a multiple-project acquisition will not close may be greater than in a single-project acquisition. An acquisition of a portfolio of projects may result in our ownership of projects in geographically dispersed markets which place additional demands on our ability to manage such operations. A seller may require that a group of projects be purchased as a package, even though one or more of the projects in the portfolio does not meet our strategic objectives. In such cases, we may attempt to make a joint bid with another buyer, and such other buyer may default on its obligations.

Further, we may acquire properties subject to known or unknown liabilities and with limited or no recourse to the former owners or operators. As a result, if liability were asserted against us based upon such properties, we may have to pay substantial sums to dispute or remedy the matter, which could adversely affect our profitability. Unknown liabilities with respect to assets acquired could include, for example: liabilities for clean-up of undiscovered or undisclosed environmental contamination; claims by developers, site owners, vendors or other persons relating to the asset or project site; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the asset or project sites.

***We may be unable to successfully integrate any assets we may acquire in the future into our business or achieve the anticipated benefits of such acquisitions.***

Our ability to achieve the anticipated benefits of any future acquisitions will depend in part upon whether we can integrate the acquired assets into our existing business in an efficient and effective manner. We may not be able to accomplish this integration process successfully. The successful acquisition of producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate Differentials;
- availability and cost of transportation of production to markets;
- availability and cost of drilling equipment and of skilled personnel;
- development and operating costs including access to water and potential environmental and other liabilities; and
- regulatory, permitting and similar matters.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we have performed reviews of the subject properties that we believe to be generally consistent with industry practices. The reviews are based on our analysis of historical production data, assumptions regarding capital expenditures and anticipated production declines without review by an independent petroleum engineering firm. Data used in such reviews are typically furnished by the seller or obtained from publicly available sources. Our review may not reveal all existing or potential problems or permit us to fully assess the deficiencies and potential recoverable reserves for all of the acquired properties, and the reserves and production related to the acquired properties may differ materially after such data is reviewed by an independent petroleum engineering firm or further by us. On-site inspections will not always be performed on every well, and environmental problems are not necessarily observable even when an on-site inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or a portion of the underlying deficiencies. We are often not entitled to contractual indemnification for environmental liabilities and acquire properties on an "as is" basis, and, as is the case with certain liabilities associated with the assets acquired in our recent acquisitions, we are entitled to indemnification for only certain operational liabilities. The integration process may be subject to delays or changed circumstances, and we can give no assurance that our recently acquired assets will perform in accordance with our expectations or that our expectations with respect to integration or cost savings as a result of such acquisitions will materialize.

***The majority of our producing properties are located in the Williston Basin, making us vulnerable to risks associated with operating in one major geographic area.***

Our oil and natural gas properties are focused on the Williston Basin, which means our current producing properties and new drilling opportunities are geographically concentrated in that area. Because our oil and natural gas properties are not as diversified geographically as some of our competitors, our profitability may be disproportionately exposed to the effect of any regional events, including fluctuations in prices of oil and natural gas produced from the wells in the region, natural disasters, restrictive governmental regulations, transportation capacity constraints, weather, curtailment of production or interruption of transportation and processing, and any resulting delays or interruptions of production from existing or planned new wells.

***The loss of any member of our management team, upon whose knowledge, relationships with industry participants, leadership and technical expertise we rely could diminish our ability to conduct our operations and harm our ability to execute our business plan.***

Our success depends heavily upon the continued contributions of those members of our management team whose knowledge, relationships with industry participants, leadership and technical expertise would be difficult to replace. In particular, our ability to successfully acquire additional properties, to increase our reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants. In addition, our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment is dependent on our management team's knowledge and expertise in the industry. To continue to develop our business, we rely on our management team's knowledge and expertise in the industry and will use our management team's relationships with industry participants to enter into strategic relationships. The members of our management team may terminate their employment with our company at any time. If we were to lose members of our management team, we may not be able to replace the knowledge or relationships that they possess and our ability to execute our business plan could be materially harmed.

***Deficiencies of title to our leased interests could significantly affect our financial condition.***

We typically do not incur the expense of a title examination prior to acquiring oil and natural gas leases or undivided interests in oil and natural gas leases or other developed rights. If an examination of the title history of a property reveals that an oil or natural gas lease or other developed rights have been purchased in error from a person who is not the owner of the mineral interest desired, our interest would substantially decline in value or be eliminated. In such cases, the amount paid for such oil or natural gas lease or leases or other developed rights may be lost. It is generally our practice not to incur the expense of retaining lawyers to examine the title to the mineral interest to be acquired. Rather, we typically rely upon the judgment of our own oil and natural gas landmen who conduct due diligence and perform the fieldwork in examining records in the appropriate governmental or county clerk's office before attempting to acquire a lease or other developed rights in a specific mineral interest.

Prior to drilling an oil or natural gas well, however, it is the normal practice in the oil and natural gas industry for the company acting as the operator of the well to obtain a title examination of the spacing unit within which the proposed oil or natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, such as obtaining affidavits of heirship or causing an estate to be administered. Such curative work entails expense, and the operator may elect to proceed with a well despite defects to the title identified in the title opinion. Furthermore, title issues may arise at a later date that were not initially detected in any title review or examination. Any one or more of the foregoing could require us to reverse revenues previously recognized and potentially negatively affect our cash flows and results of operations. Our failure to obtain perfect title to our leaseholds may adversely affect our current production and reserves and our ability in the future to increase production and reserves.

***We conduct business in a highly competitive industry.***

The oil and natural gas industry is highly competitive. The key areas in respect of which we face competition include: acquisition of assets offered for sale by other companies; access to capital (debt and equity) for financing and operational purposes; purchasing, leasing, hiring, chartering or other procuring of equipment by our operators that may be scarce; and employment of qualified and experienced skilled management and oil and natural gas professionals.

Competition in our markets is intense and depends, among other things, on the number of competitors in the market, their financial resources, their degree of geological, geophysical, engineering and management expertise and capabilities, their pricing policies, their ability to develop properties on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships with the relevant authorities.

Our competitors also include those entities with greater technical, physical and financial resources. Finally, companies and certain private equity firms not previously investing in oil and natural gas may choose to acquire reserves to establish a firm supply or simply as an investment. Any such companies will also increase market competition which may directly affect us. If we are unsuccessful in competing against other companies, our business, results of operations, financial condition or prospects could be materially adversely affected.

***The ongoing military conflict between Ukraine and Russia has caused unstable market and economic conditions and is expected to have additional global consequences, such as heightened risks of cyberattacks. Our business, financial condition, and results of operations may be materially adversely affected by the negative global and economic impact resulting from the military conflict in Ukraine or any other geopolitical tensions.***

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops began. Although the length and impact of the ongoing military conflict is highly unpredictable, the military conflict in Ukraine has led to market disruptions, including significant volatility in oil and natural gas prices, credit and capital markets, as well as supply chain disruptions. Various of Russia's actions have led to sanctions and other penalties being levied by the United States, the European Union, and other countries, as well as other public and private actors and companies, against Russia and certain other geographic areas, including restrictions on imports of Russian oil, LNG and coal. These disruptions in the oil and natural gas markets have caused, and could continue to cause, significant volatility in energy prices, which could have a material effect on our business. Additional potential sanctions and penalties have also been proposed and/or threatened.

In addition, the United States and other countries have imposed sanctions on Russia which increases the risk that Russia, as a retaliatory action, may launch cyberattacks against the United States, its government, infrastructure and businesses. On March 21, 2022, the Biden Administration issued warnings about the potential for Russia to engage in malicious cyber activity against the United States in response to the economic sanctions that have been imposed.

Prolonged unfavorable economic conditions or uncertainty as a result of the military conflict between Russia and Ukraine may adversely affect our business, financial condition, and results of operations. Any of the foregoing may also magnify the impact of other risks described in this Information Statement.



***Inflation could adversely impact our ability to control our costs, including the operating expenses and capital costs of our operators.***

Although inflation in the United States has been relatively low in recent years, it rose significantly beginning in the second half of 2021 and has continued to rise through the first half of 2022. This is believed to be the result of the economic impact from the COVID-19 pandemic, including the effects of global supply chain disruptions and government stimulus packages, among other factors. Global, industry-wide supply chain disruptions caused by the COVID-19 pandemic have resulted in shortages in labor, materials and services. Such shortages have resulted in inflationary cost increases for labor, materials and services and could continue to cause costs to increase as well as scarcity of certain products and raw materials. To the extent elevated inflation remains, our operators may experience further cost increases for their operations, including oilfield services and equipment as increasing oil and natural gas prices increase drilling activity in our operators' areas of operations, as well as increased labor costs. An increase in oil and natural gas prices may cause the costs of materials and services to rise. We cannot predict any future trends in the rate of inflation and a significant increase in inflation, to the extent we are unable to recover higher costs through higher oil and natural gas prices and revenues, would negatively impact our business, financial condition and results of operations.

***Our derivatives activities could adversely affect our profitability, cash flow, results of operations and financial condition.***

To achieve more predictable cash flows and reduce our exposure to adverse fluctuations in the price of oil and natural gas, we enter into derivative instrument contracts for a portion of our expected production, which may include swaps, collars, puts and other structures. In accordance with applicable accounting principles, we are required to record our derivatives at fair market value, and they are included on our balance sheet as assets or liabilities and in our statements of income as gain (loss) on commodity derivatives, net. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair market value of our derivative instruments. In addition, while intended to mitigate the effects of volatile oil and natural gas prices, our derivatives transactions may limit our potential gains and increase our potential losses if oil and natural gas prices were to rise substantially over the price established by the hedge.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative contracts for such period. If the actual amount of production is higher than we estimate, we will have greater oil and natural gas price exposure than we intended. If the actual amount of production is lower than the notional amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity, resulting in a substantial diminution of our liquidity. As a result of these factors, our hedging activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows. In addition, such transactions may expose us to the risk of loss in certain circumstances, including instances in which a counterparty to our derivative contracts is unable to satisfy its obligations under the contracts; our production is less than expected; or there is a widening of price Differentials between delivery points for our production and the delivery point assumed in the derivative arrangement.

***Asset retirement costs may be difficult to predict and may be substantial. Unplanned costs could divert resources from other projects.***

We are responsible for costs associated with plugging, abandoning and reclaiming wells, pipelines and other facilities that we use for production of oil and natural gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "asset retirement." We accrue a liability for asset retirement costs associated with our wells, but have not established any cash reserve account for these potential costs in respect of any of our properties. It may be difficult for us to predict such asset retirement costs. If asset retirement is required before economic depletion of our properties or if our estimates of the costs of asset retirement exceed the value of the reserves remaining at any particular time to cover such asset retirement costs, we may have to draw on funds from other sources to satisfy such costs, which may be substantial. The use of other funds to satisfy such asset retirement costs could impair our ability to dedicate our capital to other areas of our business.

***We depend on computer and telecommunications systems, and failures in our systems or cyber security threats, attacks or other disruptions could significantly disrupt our business operations.***

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with our business. In addition, we have developed or may develop proprietary software systems, management techniques and other information technologies incorporating software licensed from third parties. It is possible that we, or these third parties, could incur interruptions from cyber security attacks, computer viruses or malware, or that third-party service providers could cause a breach of our data. We believe that we have positive relations with our related vendors and maintain adequate anti-virus and malware software and controls; however, any interruptions to our arrangements with third parties for our computing and communications infrastructure or any other interruptions to, or breaches of, our information systems could lead to data corruption, communication interruption, loss of sensitive or confidential information or otherwise significantly disrupt our business operations. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. Furthermore, various third-party resources that we rely on, directly or indirectly, in the operation of our business (such as pipelines and other infrastructure) could suffer interruptions or breaches from cyber-attacks or similar events that are entirely outside our control, and any such events could significantly disrupt our business operations and/or have a material adverse effect on our results of operations. To our knowledge we have not experienced any material losses relating to cyber-attacks; however, there can be no assurance that we will not suffer material losses in the future.

In addition, our operators face various security threats, including cyber security threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the security of their facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to operations and could have a material adverse effect on our financial position, results of operations or cash flows. The U.S. government has issued warnings that U.S. energy assets may be the future targets of terrorist organizations. These developments subject operations on our oil and natural gas properties to increased risks. Any future terrorist attack at our operators' facilities, or those of their purchasers or vendors, could have a material adverse effect on our financial condition and operations.

***Fuel conservation measures and related governmental initiatives, technological advances and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas.***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices, and the increased competitiveness of alternative energy sources could reduce demand for oil and natural gas. Additionally, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal, tidal, fuel cells and biofuels) could reduce demand for oil and natural gas and, therefore, our revenues.

Our business could also be impacted by governmental initiatives to encourage the conservation of energy or the use of alternative energy sources. For example, in November 2021, the Biden Administration released "The Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050," which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency; decarbonizing energy sources via electricity, hydrogen, and sustainable biofuels; and reducing non-CO<sub>2</sub> GHG emissions, such as methane and nitrous oxide. In addition, in August 2022, Congress passed, and President Biden signed, the Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022 includes a variety of clean-energy tax credits and establishes a program designed to reduce methane emissions from oil and gas operations. These initiatives or similar state or federal initiatives to reduce energy consumption or encourage a shift away from fossil fuels could reduce demand for hydrocarbons and have a material adverse effect on our earnings, cash flows and financial condition.

Additionally, certain segments of the investor community have recently expressed negative sentiment towards investing in the oil and natural gas industry. Recent equity returns in the sector versus other industry sectors have led to lower oil and natural gas representation in certain key equity market indices. Some investors, including certain pension funds, university endowments and family foundations, have stated policies to reduce or eliminate their investments in the oil and natural gas sector based on social and environmental considerations. Furthermore, certain

other stakeholders have pressured commercial and investment banks to stop funding oil and natural gas projects. With the continued volatility in oil and natural gas prices, and the possibility that interest rates will continue to rise in the near term, increasing the cost of borrowing, certain investors have emphasized capital efficiency and free cash flow from earnings as key drivers for energy companies, especially shale producers. This may also result in a reduction of available capital funding for potential development projects, further impacting our future financial results.

The impact of the changing demand for oil and natural gas services and products, together with a change in investor sentiment, may have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, if we are unable to achieve the desired level of capital efficiency or free cash flow within the timeframe expected by the market, our stock price may be adversely affected.

***Increased attention to ESG matters may impact our business.***

Increasing attention to climate change, increasing societal expectations on companies to address climate change, increasing investor and societal expectations regarding voluntary ESG disclosures, and increasing consumer demand for alternatives to oil and natural gas may result in increased costs, reduced demand for our products, reduced profits, increased investigations and litigation, and negative impacts on our access to capital markets. Increasing attention to climate change and any related negative public perception regarding our industry, for example, may result in demand shifts for natural gas and oil products, increased litigation risk, and increased regulatory, legislative and judicial scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy-related assets could lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital. Also, institutional lenders may, of their own accord, elect not to provide funding for fossil fuel energy companies based on climate change related concerns, which could affect our access to capital for potential growth projects.

**Risks Relating to Our Indebtedness**

***Any significant reduction in the borrowing base under our New Revolving Credit Facility may negatively impact our liquidity and could adversely affect our business and financial results.***

Availability under our New Revolving Credit Facility is expected to be subject to a borrowing base, with scheduled semiannual and other elective borrowing base redeterminations based upon, among other things, projected revenues from, and asset values of, the oil and natural gas properties securing the New Revolving Credit Facility. The lenders under the New Revolving Credit Facility are expected to be able to unilaterally determine and adjust the borrowing base and the borrowings permitted to be outstanding under our New Revolving Credit Facility. Reductions in estimates of our producing oil and natural gas reserves could result in a reduction of our borrowing base thereunder. The same could also arise from other factors, including but not limited to lower commodity prices or production; operating difficulties; changes in oil and natural gas reserve engineering; increased operating and/or capital costs; lending requirements or regulations; or other factors affecting our lenders' ability or willingness to lend (including factors that may be unrelated to our company). Any significant reduction in our borrowing base could result in a default under current and/or future debt instruments, negatively impact our liquidity and our ability to fund our operations and, as a result, could have a material adverse effect on our financial position, results of operations and cash flow. Further, if the outstanding borrowings under our New Revolving Credit Facility were to exceed the borrowing base as a result of any such redetermination, we could be required to repay the excess. If we do not have sufficient funds and we are otherwise unable to arrange new financing, we may have to sell significant assets or take other actions. Any such sale or other actions could have a material adverse effect on our business and financial results.

***Our New Revolving Credit Facility and other agreements governing indebtedness may contain operating and financial restrictions that may restrict our business and financing activities.***

Our New Revolving Credit Facility and any future indebtedness we incur may contain a number of restrictive covenants that will impose operating and financial restrictions on us, including restrictions on our ability to, among other things: declare or pay any dividend or make any other distributions on, purchase or redeem our equity interests; make loans or certain investments; make certain acquisitions; incur or guarantee additional indebtedness or issue certain types of equity securities; incur liens; transfer or sell assets; create subsidiaries; consolidate, merge or transfer all or substantially all of our assets; and engage in transactions with our affiliates. In addition, we expect the New Revolving Credit Facility to require us to maintain compliance with certain financial covenants and other covenants. As a result of these anticipated covenants, we could be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

Our ability to comply with some of the anticipated covenants and restrictions may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A failure to comply with the covenants, ratios or tests in our New Revolving Credit Facility or any other indebtedness could result in an event of default under our New Revolving Credit Facility, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. If an event of default under our New Revolving Credit Facility occurs and remains uncured, the lenders thereunder would not be required to lend any additional amounts to us and could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the payment of debt were accelerated, cash flows from our operations may be insufficient to repay such debt in full and our stockholders could experience a partial or total loss of their investment. We anticipate that our New Revolving Credit Facility will contain customary events of default, including the occurrence of a change in control.

An event of default or an acceleration under our New Revolving Credit Facility could result in an event of default and an acceleration under other existing or future indebtedness. Conversely, an event of default or an acceleration under any other existing or future indebtedness could result in an event of default and an acceleration under our New Revolving Credit Facility. In addition, we expect that our obligations under the New Revolving Credit Facility will be collateralized by perfected liens and security interests on substantially all of our assets and if we default thereunder the lenders could seek to foreclose on our assets.

***We may not be able to generate enough cash flow to meet our debt obligations.***

Our earnings and cash flow may vary significantly from year to year due to the cyclical nature of our industry. As a result, the amount of debt that we can service in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and commitments, or to permit us to pay dividends. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt or dividends. Many of these factors, such as oil and natural gas prices, economic and financial conditions in our industry and the global economy or competitive initiatives of our competitors, are beyond our control.

If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt; selling assets; reducing or delaying capital investments; or seeking to raise additional capital. However, we cannot assure you that undertaking alternative financing plans, if necessary, would allow us to meet our debt obligations or pay dividends. Our inability to generate sufficient cash flow to satisfy our debt obligations or pay dividends, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations and prospects.

***Our ability to pay dividends to our stockholders is restricted by applicable laws and regulations and may be limited by requirements under our New Revolving Credit Facility.***

Holders of our common stock are only entitled to receive such cash dividends as our Board, in its sole discretion, may declare out of funds legally available for such payments. We made cash distributions to our members totaling \$25.0 million during 2019, \$12.0 million during 2021, and \$36.0 million during the six months ended May 31, 2022. We cannot assure you, however, that we will pay dividends following the Spin-Off. Our Board may change the timing and amount of any future dividend payments or eliminate the payment of future dividends to our stockholders at its discretion, without notice to our stockholders. Any future determination relating to our dividend policy will be

dependent on a variety of factors, including our financial condition, earnings, legal requirements, our general liquidity needs, and other factors that our Board deems relevant. Our ability to declare and pay dividends to our stockholders is subject to certain laws, regulations, and policies, including minimum capital requirements and, as a Delaware corporation, we are subject to certain restrictions on dividends under the DGCL. Under the DGCL, our Board may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Finally, our ability to pay dividends to our stockholders is limited by covenants in the Existing Revolving Credit Facility and may be limited by covenants in any debt agreements that we may enter into in the future, including our New Revolving Credit Facility. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate at any time, the payment of dividends on our common stock. If as a result, we are unable to pay dividends, investors may be forced to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock.

***Variable rate indebtedness could subject us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Our New Revolving Credit Facility may use SOFR as the reference rate for Eurodollar denominated borrowings. Borrowings under our New Revolving Credit Facility may bear interest at variable rates and expose us to interest rate risk. If interest rates increase and we are unable to effectively hedge our interest rate risk, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness would decrease.

***We may be adversely affected by developments in the SOFR market, changes in the methods by which SOFR is determined or the use of alternative reference rates.***

In 2017, the U.K. Financial Conduct Authority announced that it intended to phase out LIBOR, and in 2021, it announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of one-week and two-month U.S. Dollar settings, and immediately after June 30, 2023, in the case of the remaining U.S. Dollar settings. The Federal Reserve also has advised banks to cease entering into new contracts that use U.S. Dollar LIBOR as a reference rate. The Alternative Refinance Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified SOFR, a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities, as its preferred alternative rate for LIBOR in the U.S. Although SOFR appears to be the preferred replacement rate for U.S. Dollar LIBOR, it is unclear if other benchmarks may emerge. The consequences of these developments cannot be entirely predicted, and there can be no assurance that they will not result in financial market disruptions, significant increases in benchmark interest rates, substantially higher financing costs or a shortage of available debt financing, any of which could have an adverse effect on our business, financial position and results of operations, and our ability to pay dividends on our common stock.

***Our business plan requires the expenditure of significant capital, which we may be unable to obtain on favorable terms or at all.***

Our acquisition and development activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flow from operations, borrowings under our credit facilities and equity issuances. Cash reserves, cash from operations and borrowings under our New Revolving Credit Facility may not be sufficient to fund our continuing operations and business plan and goals. We may require additional capital and we may be unable to obtain such capital if and when required. If our access to capital were limited due to numerous factors, which could include a decrease in operating cash flow due to lower oil and natural gas prices or decreased production or deterioration of the credit and capital markets, we would have a reduced ability to develop our properties, replace our reserves and pursue our business plan and goals. We may not be able to incur additional debt under our New Revolving Credit Facility, issue debt or equity, engage in asset sales or access other methods of financing on acceptable terms or at all. If the amount of capital we are able to raise from financing activities, together with our cash from operations, is not sufficient to satisfy our capital requirements, we may not be able to implement our business plan and may be required to scale back our operations, sell assets at unattractive prices or obtain financing on unattractive terms, any of which could adversely affect our business, results of operations and financial condition.

### **Risks Relating to Legal and Regulatory Matters**

***The current presidential administration, acting through the executive branch and/or in coordination with Congress, already has ordered or proposed, and could enact additional rules and regulations that restrict our ability to acquire federal leases in the future and/or impose more onerous permitting and other costly environmental, health and safety requirements.***

We are affected by the adoption of laws, regulations and policy directives that, for economic, environmental protection or other policy reasons, could curtail exploration and development drilling for oil and natural gas. For example, in January 2021, President Biden signed an Executive Order directing the DOI to temporarily pause new oil and natural gas leases on federal lands and waters pending completion of a comprehensive review of the federal government's existing oil and natural gas leasing and permitting program. In June 2021, a federal district court enjoined the DOI from implementing the pause and leasing resumed, although litigation over the leasing pause remains ongoing. As a result, it is difficult to predict if and when such areas may be made available for future exploration activities. In addition, in November 2021, the EPA proposed a new rule that would impose more stringent methane emissions standards for new and modified sources in the oil and natural gas industry, and to regulate existing sources in the oil and natural gas industry for the first time. A supplemental proposed rule, which may expand or modify the current proposed rule, and final rule are expected by the end of 2022. For existing sources, the current proposed rule would require each state to incorporate the emission guidelines proposed by the EPA or to adopt their own standards that achieve the same degree of emissions limitations. Further, in September 2021, President Biden publicly announced the Global Methane Pledge, an international pact that aims to reduce global methane emissions to at least 30% below 2020 levels by 2030. These efforts, among others, are intended to support the current administration's stated goal of addressing climate change. Potential actions of a Democratic-controlled Congress include imposing more restrictive laws and regulations pertaining to permitting, limitations on GHG emissions, increased requirements for financial assurance and bonding for decommissioning liabilities, and carbon taxes. For example, in August 2022, Congress passed, and President Biden signed, the Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022 includes a variety of clean-energy tax credits and establishes a program designed to reduce methane emissions from certain oil and natural gas facilities. Any of these administrative or Congressional actions could adversely affect our financial condition and results of operations by restricting the lands available for development and/or access to permits required for such development, or by imposing additional and costly environmental, health and safety requirements.

***Certain U.S. federal income tax deductions currently available with respect to oil and natural gas development may be eliminated as a result of future legislation.***

From time to time, legislation has been proposed that would, if enacted into law, make significant changes to U.S. tax laws, including certain key U.S. federal income tax provisions currently available to oil and natural gas companies. Such legislative changes have included, but not been limited to, (1) the repeal of the percentage depletion allowance for natural gas and oil properties, (2) the elimination of current deductions for intangible drilling and development costs, and (3) an extension of the amortization period for certain geological and geophysical expenditures. Although these provisions were largely unchanged in the most recent federal tax legislation, certain of these changes were considered for inclusion in the proposed "Build Back Better Act" and Congress could consider, and could include, some or all of these proposals as part of future tax reform legislation. Moreover, other more general features of any additional tax reform legislation, including changes to cost recovery rules, may be developed that also would change the taxation of oil and natural gas companies. It is unclear whether these or similar changes will be enacted in future legislation and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals or any similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that currently are available with respect to oil and natural gas development or increase costs, and any such changes could have an adverse effect on our financial position, results of operations and cash flows.

***Our business involves the selling and shipping by rail of oil, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our business, financial condition or results of operations.***

A portion of our oil production is transported to market centers by rail. Derailments in North America of trains transporting oil have caused various regulatory agencies and industry organizations, as well as federal, state and municipal governments, to focus attention on transportation by rail of flammable liquids. Any changes to existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport oil could increase our costs of doing business and limit our ability to transport and sell our oil at favorable prices at market centers throughout the United States, the consequences of which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, any derailment of oil involving oil that we have sold or are shipping may result in claims being brought against us that may involve significant liabilities.

***Our derivative activities expose us to potential regulatory risks.***

The FTC, FERC and the CFTC have statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to derivative activities that we undertake with respect to oil, natural gas or other energy commodities, we are required to observe the market-related regulations enforced by these agencies. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition.

***Legislative and regulatory developments could have an adverse effect on our ability to use derivative instruments to reduce the effect of volatile oil and natural gas price, interest rate and other risks associated with our business.***

The Dodd-Frank Act contains measures aimed at increasing the transparency and stability of the OTC derivatives market and preventing excessive speculation. On January 14, 2021, the CFTC published a final rule imposing position limits for certain futures and options contracts in various commodities (including oil and gas) and for swaps that are their economic equivalents, though certain types of derivative transactions are exempt from these limits, provided that such derivative transactions satisfy the CFTC's requirements for certain enumerated "bona fide" derivative transactions. The CFTC also has adopted final rules regarding aggregation of positions, under which a party that controls the trading of, or owns ten percent or more of the equity interests in, another party will have to aggregate the positions of the controlled or owned party with its own positions for purposes of determining compliance with position limits unless an exemption applies. The CFTC's aggregation rules are now in effect, although CFTC staff has granted relief until August 12, 2022 from various conditions and requirements in the final aggregation rules. These rules may affect both the size of the positions that we may hold and the ability or willingness of counterparties to trade with us, potentially increasing the costs of transactions. Moreover, such changes could materially reduce our access to derivative opportunities, which could adversely affect revenues or cash flow during periods of low oil and natural gas prices.

The CFTC also has designated certain interest rate swaps and credit default swaps for mandatory clearing and the associated rules also will require us, in connection with covered derivative activities, to comply with clearing and trade-execution requirements or to take steps to qualify for an exemption to such requirements. Although we believe we qualify for the end-user exception from the mandatory clearing requirements for swaps entered to mitigate its commercial risks, the application of the mandatory clearing and trade execution requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use. If our swaps do not qualify for the commercial end-user exception, or if the cost of entering into uncleared swaps becomes prohibitive, we may be required to clear such transactions. The ultimate effect of these rules and any additional regulations on our business is uncertain.

The full impact of the Dodd-Frank Act and related regulatory requirements on our business will not be known until the regulations are fully implemented and the market for derivatives contracts has adjusted. In addition, it is possible that the current administration could expand regulation of the OTC derivatives market and the entities that participate in that market through either the Dodd-Frank Act or the enactment of new legislation. Regulations issued under the Dodd-Frank Act (including any further regulations implemented thereunder) and any new legislation also may require certain counterparties to our derivative instruments to spin off some of their derivative activities to a separate entity, which may not be as creditworthy as the current counterparty. Such legislation and regulations could

significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. We maintain an active hedging program related to oil and natural gas price risks. Such legislation and regulations could reduce trading positions and the market-making activities of our counterparties. If we reduce our use of derivatives as a result of legislation and regulations or any resulting changes in the derivatives markets, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures or to make payments on our debt obligations. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower oil and natural gas prices. Any of these consequences could have a material adverse effect on our business, our financial condition, and our results of operations.

***Our business is subject to complex federal, state, and local laws, as well as other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.***

Our operational interests, as operated by our third-party operators, are regulated extensively at the federal, state, tribal and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon oil and natural gas wells. Under these laws and regulations, our company (either directly or indirectly through our operators) could also be liable for personal injuries, property and natural resource damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of our business and subject us to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects.

Part of the regulatory environment in which we do business includes, in some cases, legal requirements for obtaining environmental assessments, environmental impact studies and/or plans of development before commencing drilling and production activities. In addition, our activities are subject to the regulations regarding conservation practices and protection of correlative rights. These regulations affect our business and limit the quantity of natural gas we may produce and sell. A major risk inherent in the drilling plans in which we participate is the need for our operators to obtain drilling permits from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit for a well or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on the development of our properties. Additionally, the oil and natural gas regulatory environment could change in ways that might substantially increase the financial and managerial costs of compliance with these laws and regulations and, consequently, adversely affect our profitability. At this time, we cannot predict the effect of this increase on our results of operations. Furthermore, we may be put at a competitive disadvantage to larger companies in our industry that can spread these additional costs over a greater number of wells and larger operating staff.

***Failure to comply with federal, state and local environmental laws and regulations could result in substantial penalties and adversely affect our business.***

All phases of the oil and natural gas business can present environmental risks and hazards and are subject to a variety of federal, state and municipal laws and regulations. Environmental laws and regulations, among other things, restrict and prohibit spills, releases or emissions of various substances produced in association with oil and natural gas operations, and require that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. There is risk of incurring significant environmental costs and liabilities as a result of the handling of petroleum hydrocarbons and wastes, air emissions and wastewater discharges related to our business, and historical operations and waste disposal practices. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, loss of our leases, incurrence of investigatory or remedial obligations and the imposition of injunctive relief.

Environmental legislation and regulations are evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments



and third parties and may require us to incur costs to remedy such discharge, regardless of whether we were responsible for the release or contamination and regardless of whether our operators met previous standards in the industry at the time they were conducted. In addition, claims for damages to persons, property or natural resources may result from environmental and other impacts of operations on our properties. The application of new or more stringent environmental laws and regulations to our business may cause us to curtail production or increase the costs of our production or development activities.

***Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.***

Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing is used extensively by our third-party operators. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions. However, in April 2012, the EPA issued regulations specifically applicable to the oil and natural gas industry that require operators to significantly reduce VOC emissions from gas wells that are hydraulically fractured through the use of "green completions" to capture natural gas that would otherwise escape into the air. The EPA issued additional regulations in 2016 targeting methane and VOC emissions from new, modified and reconstructed crude oil and natural gas wells that have been hydraulically fractured. Then in November 2021, the EPA proposed rules to further reduce methane and VOC emissions from new and existing sources in the oil and natural gas sector. From time to time, there have also been various other proposals to regulate hydraulic fracturing at the federal level. Any federal or state legislative or regulatory changes with respect to hydraulic fracturing could cause us to incur substantial compliance costs or result in operational delays, and the consequences of any failure to comply by us or our third-party operators could have a material adverse effect on our financial condition and results of operations.

In addition, in response to concerns relating to recent seismic events near underground disposal wells used for the disposal by injection of flowback and produced water or certain other oilfield fluids resulting from oil and natural gas activities (so-called "induced seismicity"), regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. States may, from time to time, develop and implement plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. These developments could result in additional regulation and restrictions on the use of injection wells by our operators to dispose of flowback and produced water and certain other oilfield fluids. Increased regulation and attention given to induced seismicity also could lead to greater opposition to, and litigation concerning, oil and natural gas activities utilizing injection wells for waste disposal. Until such pending or threatened legislation or regulations are finalized and implemented, it is not possible to estimate their impact on our business.

Any of the above risks could impair our ability to manage our business and have a material adverse effect on our operations, cash flows and financial position.

***The adoption of climate change legislation or regulations restricting emissions of carbon dioxide, methane, and other greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas we produce.***

The oil and natural gas industry is affected from time to time in varying degrees by political developments and a wide range of federal, tribal, state and local statutes, rules, orders and regulations that may, in turn, affect the operations and costs of the companies engaged in the oil and natural gas industry. In response to findings that emissions of carbon dioxide, methane, and other GHGs present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, require preconstruction and operating permits for GHG emissions from certain large stationary sources that already emit conventional pollutants above a certain threshold. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and natural gas production sources in the United States on an annual basis, which may include operations on the Properties. Additional GHG regulation could also result from the agreement crafted during the United Nations climate change conference in Paris, France in December 2015 (the "Paris Agreement"). Under the Paris Agreement, the United States committed to reducing its GHG emissions by 26-28% by the year 2025 as compared with 2005 levels. Moreover, in November 2021, at the U.N. Framework Convention on Climate Change 26th Conference of the Parties, the United States and the European Union advanced a Global Methane Pledge to reduce global methane emissions at least 30% from 2020 levels by

2030, which over 100 countries have signed. Congress has from time to time considered legislation to reduce emissions of GHGs. Most recently, in August 2022, Congress passed, and President Biden signed, the Inflation Reduction Act of 2022. The Inflation Reduction Act establishes a program designed to reduce methane emissions from certain oil and natural gas facilities, which includes a charge on methane emissions above certain thresholds.

In addition, a number of state and regional efforts have emerged that are aimed at tracking or reducing GHG emissions by means of cap and trade programs. These programs typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact us or our operators, any future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, operators' equipment and operations could require them to incur costs to reduce emissions of GHGs associated with their operations. For example, although EPA regulations implementing the methane charge requirements associated with the Inflation Reduction Act of 2022 have not yet been developed, the future implementation of these requirements could result in direct costs for our operators based on methane emissions above set thresholds or require capital expenditure by our operators to reduce their emissions. In addition, substantial limitations on GHG emissions could adversely affect demand for the oil and natural gas produced from our oil and natural gas properties. Restrictions on emissions of methane or carbon dioxide, such as restrictions on venting and flaring of natural gas that may be imposed at the federal or state level, as well as federal, state and local climate change initiatives, such as increased energy efficiency standards or mandates for renewable energy sources, could adversely affect the oil and natural gas industry, and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing GHG emissions would impact oil and natural gas assets. Finally, it should be noted that climate changes may have significant physical effects, such as increased frequency and severity of storms, freezes, floods, drought, hurricanes and other climatic events; if any of these effects were to occur, they could have an adverse effect on us or our operators.

In addition, spurred by increasing concerns regarding climate change, the oil and natural gas industry faces growing demand for corporate transparency and a demonstrated commitment to sustainability goals. ESG goals and programs, which may include extralegal targets related to environmental stewardship, social responsibility, and corporate governance, have become an increasing focus of investors and stakeholders across the industry, and companies without robust ESG programs may find access to capital and investors more challenging in the future. Further, in March 2022, the SEC issued a proposed rule that would require public companies to disclose certain climate-related information, including climate-related risks, impacts, oversight and management, financial statement metrics and emissions, targets, goals and plans. While the proposed rule is not yet effective and is expected to be subject to a lengthy comment process, compliance with the proposed rule as drafted could result in increased legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place strain on our personnel, systems and resources.

***Regulatory requirements to reduce gas flaring and to further restrict emissions could have an adverse effect on our operations.***

Wells in the Williston Basin of North Dakota, where we own significant oil and natural gas properties, produce natural gas as well as oil. Constraints in third party natural gas gathering and processing systems in certain areas have resulted in some of that natural gas being flared instead of gathered, processed and sold. In 2014, the NDI Commission, North Dakota's chief energy regulator, adopted a policy to reduce the volume of natural gas flared from oil wells in the Williston Basin. The NDI Commission requires operators to develop gas capture plans that describe how much natural gas is expected to be produced, how it will be delivered to a processor and where it will be processed. Production caps or penalties may be imposed on certain wells that cannot meet the capture goals. It is possible that other states in which we operate, including Montana, will require gas capture plans or otherwise institute new regulatory requirements in the future to reduce flaring.

Gas capture requirements and other regulatory requirements, in North Dakota or our other locations, could increase our operators' operational costs and restrict production on our oil and natural gas properties, which could materially and adversely affect our financial condition, results of operations and cash flows. If our interpretation of the applicable regulations is incorrect, or if we receive a non-appealable order to pay royalty on past and future flared volumes in North Dakota, such royalty payments could materially and adversely affect our financial condition and cash flows.

### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Information Statement and other materials we have filed or will file with the SEC contain or incorporate by reference statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “confident” and other words of similar meaning in connection with a discussion of future operating or financial performance or the Spin-Off. Forward-looking statements may include, among other things, statements relating to future earnings, cash flow, results of operations, uses of cash, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Vitesse, the Spin-Off, including the expected timing of completion of the Spin-Off and estimated costs associated with the Spin-Off, and other statements that are not historical facts. Forward-looking statements are not guarantees of future results and conditions, but rather are subject to numerous assumptions, risks, and uncertainties that may cause actual future results to be materially different from those contemplated, projected, estimated, or budgeted. Such assumptions, risks, uncertainties and other factors include, but are not limited to, the following:

- the timing and extent of changes in oil and natural gas prices;
- our ability to successfully implement our business plan;
- the pace of our operators’ drilling and completion activity on our properties, including in connection with refrac campaigns and extended length three-mile lateral infills;
- our operators’ ability to complete projects on time and on budget;
- uncertainties about estimates of reserves, identification of drilling locations and the ability to add reserves in the future;
- our ability to complete acquisitions;
- actions taken by third-party operators, processors, transporters and gatherers;
- natural disasters, adverse weather conditions, war (such as the ongoing military conflict in Ukraine), financial or political instability, casualty losses and other matters beyond our control;
- the impact of the COVID-19 pandemic and the measures implemented to contain it;
- changes in general economic conditions;
- our ability to achieve the benefits that we expect to achieve as an independent publicly traded company;
- the qualification of the Distribution and certain related transactions as tax-free under the Code;
- inflation;
- infrastructure constraints and related factors affecting our properties;
- competitive conditions in our industry;
- the effects of existing and future laws and governmental regulations;
- the availability and price of oil and natural gas to the consumer compared to the price of alternative and competing fuels;
- operating hazards and other risks incidental to gathering, storing and transporting oil and natural gas;
- restrictions in our New Revolving Credit Facility;
- interest rates;
- the effects of ongoing or future litigation;
- cyber-related risks;
- changes in insurance markets impacting costs and the level and types of coverage available;
- climate change and the physical and financial risks associated with fluctuating regional and global weather conditions or patterns;
- energy efficiency and technology trends;

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Pursuant to 17 C.F.R. Section 200.83

- competition from the same and alternative energy sources;
- changes in the availability and cost of capital;
- large customer defaults;
- labor relations; and
- changes in tax status.

There can be no assurance that the Spin-Off or any other transactions described above will in fact be consummated in the manner described or at all. The above list of factors is not exhaustive. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the discussion under the section entitled "Risk Factors." Any forward-looking statements made by us in this Information Statement speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

## THE SPIN-OFF

### Background

On July 19, 2022, Jefferies announced plans for the complete legal and structural separation of Vitesse from Jefferies.

At the time of the Spin-Off, Vitesse will hold substantially all of those businesses or investments of Jefferies that acquire, develop, manage and monetize non-operated oil and natural gas working, royalty and mineral interests in the United States, primarily in the Bakken and Three Forks formations in the Williston Basin in North Dakota and Montana.

To effect the separation, first, Jefferies and Jefferies Capital Partners, among others, will undertake the Pre-Spin-Off Transactions described below under the section entitled “—Pre-Spin-Off Transactions.” Jefferies will subsequently distribute all of Vitesse’s outstanding common stock held by Jefferies, representing [ ]% of our total issued and outstanding common stock immediately prior to the Distribution, to Jefferies shareholders, and Vitesse will become an independent, publicly traded company. After the Distribution, Jefferies will not own any shares of our common stock.

Prior to completion of the Spin-Off, we intend to enter into a Separation and Distribution Agreement and a Tax Matters Agreement with Jefferies related to the Spin-Off. These agreements will govern the relationship between Jefferies and us up to and after completion of the Spin-Off. See the section entitled “Certain Relationships and Related Party Transactions” for more detail. No approval of Jefferies shareholders is required in connection with the Spin-Off, and Jefferies shareholders will not have any appraisal rights in connection with the Spin-Off.

Completion of the Spin-Off is subject to the satisfaction, or the waiver by the Jefferies Board, of a number of conditions. If the Jefferies Board waives any condition prior to the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, and the result of such waiver is material to Jefferies shareholders, Jefferies will file an amendment to the Registration Statement to revise the disclosure in this Information Statement accordingly. In the event that the Jefferies Board waives a condition after this Registration Statement becomes effective and such waiver is material to Jefferies shareholders, Jefferies will communicate such change to Jefferies shareholders by filing a Current Report on Form 8-K describing the change.

In addition, Jefferies has the right not to complete the Spin-Off if, at any time, the Jefferies Board determines, in its sole and absolute discretion, that the Spin-Off is not in the best interests of Jefferies or its shareholders, or is otherwise not advisable. If the Spin-Off is not completed for any reason, Jefferies and Vitesse will have incurred significant costs related to the Spin-Off, including fees for consultants, financial and legal advisors, accountants and auditors, that will not be recouped. Total one-time transaction costs associated with the Spin-Off are preliminarily estimated to range from \$[ ] to \$[ ] if the Spin-Off is completed. If the Spin-Off is not completed for any reason, the one-time transaction costs will generally be limited to the transaction costs incurred for services rendered as of the date the Spin-Off is abandoned, which will be less than the ranges noted above. Our management has devoted significant time to manage the Spin-Off process, which has decreased the time they have had to manage the business of Vitesse. See the section entitled “—Conditions to the Spin-Off” for more detail.

### Reasons for the Spin-Off

In 2017, Jefferies announced that its primary business initiative would be to become a focused financial services company with clear drive and direction, concentrating on investment banking and capital markets and alternative asset management. To reflect that focus, Jefferies changed its name from Leucadia National Corporation to Jefferies Financial Group Inc. in 2018, with the overwhelming support of its shareholders. Jefferies has continued to make clear that it would continue to liquidate its merchant banking portfolio, with the intention of selling the businesses and investments comprising the portfolio to third parties, distributing the businesses and investments comprising the portfolio to shareholders or transferring the balance of the businesses and investments comprising the portfolio to its asset management reportable segment. As they contemplated the Spin-Off, the Jefferies Board and management determined that positioning Vitesse as an independent publicly traded company would further Jefferies’ long-term goals and enhance stockholder value. In reaching the decision to pursue the Spin-Off, Jefferies considered a range of

potential structural alternatives for Vitesse Energy, including a sale or merger of Vitesse and/or its assets to or with third parties, and management recommended the Spin-Off as the most attractive alternative for enhancing shareholder value.

As a result of this evaluation, the Jefferies Board determined that proceeding with the Spin-Off would be in the best interests of Jefferies and its shareholders. The Jefferies Board considered several potential benefits of this approach, including:

- **Strategic goals.** Following the Spin-Off, Jefferies will be one step closer to its previously announced goal of liquidating its merchant banking portfolio and focusing solely on financial services.
- **Maximizing shareholder value and choice.** Jefferies shareholders should benefit from both the benefits to be reaped as Jefferies further reduces its merchant banking portfolio and further dedicates its management's focus on financial services and from the potential for value enhancement that might be achieved in a stand-alone, publicly traded Vitesse. Jefferies believes the Spin-Off will help unlock the value in Vitesse that may not be clear to investors while it remains part of Jefferies. Those investors looking for a pure play company that is focused on creating long-term stockholder value through the profitable acquisition, development and production of oil and natural gas assets will be able to invest directly in Vitesse, which should result in greater alignment between the interests of each company's stockholder base and the characteristics of its respective business, capital structure and financial results.
- **Separate capital structures and allocation flexibility.** The Spin-Off will enable each of Jefferies and Vitesse to leverage its distinct profile and cash flow characteristics to optimize its capital structure and capital allocation strategy. The Spin-Off will permit each company to allocate its financial resources to meet the unique needs of its own businesses, which will allow each company to intensify its focus on its distinct strategic priorities and individual business risk and return profiles.

The Jefferies Board also considered several potentially negative factors in evaluating the Spin-Off, including:

- **Risk of failure to achieve the anticipated benefits of the Spin-Off.** Jefferies and Vitesse may not achieve the anticipated benefits of the Spin-Off for a variety of reasons, including, among others: the Spin-Off will require significant amounts of management's time and effort, which may divert our management's attention from operating each company's business; there may be dis-synergy costs related to the Spin-Off; and following the Spin-Off, Vitesse may be more susceptible to certain economic and market fluctuations and other adverse events than if Vitesse were still a part of Jefferies. For more information on the specific risks to Vitesse of the failure to achieve the anticipated benefits of the Spin-Off, see the section entitled "Risk Factors—Risks Relating to the Spin-Off—We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off, which could materially adversely affect our business, financial condition and results of operations."
- **Disruptions and costs related to the Spin-Off.** The actions required to separate Vitesse from Jefferies could disrupt both Jefferies' and Vitesse's operations.
- **Uncertainty regarding share prices.** The effect of the Distribution on the trading prices of Jefferies' and Vitesse's common stock cannot be predicted, and there is no guarantee that the combined market value of the shares of Vitesse common stock to be distributed per share of Jefferies common stock in the Distribution and Jefferies common stock following the Distribution will be less than, equal to or greater than the market value of the shares of Jefferies common stock prior to the Distribution. Furthermore, there is the risk of volatility in each company's stock price following the Distribution due to sales by certain shareholders whose investment objectives may not be met by each company's common stock, and it may take time for each company to attract its optimal stockholder base.

Notwithstanding these potentially negative factors, the anticipated effects of which are not reasonably determinable, and considering the factors discussed above, the Jefferies Board determined that the Spin-Off provided the best opportunity to achieve the above benefits and enhance stockholder value. For additional information, see the section entitled "Risk Factors."

### Pre-Spin-Off Transactions

To effect the Spin-Off, we expect the following transactions, among others, to be consummated prior to the completion of the Spin-Off:

- Vitesse was incorporated on August 5, 2022;
- 3B Energy will transfer all of its Vitesse Energy equity interests to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to 3B Energy;
- Each of Messrs. Gerrity and Cree will transfer all of their vested Vitesse Energy MIUs to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to each of Messrs. Gerrity and Cree;
- Vitesse Energy Finance and the remaining holders of vested Vitesse Energy MIUs will transfer all of their Vitesse Energy equity interests to Vitesse in exchange for newly issued shares of Vitesse common stock;
- Jefferies Capital Partners, Gerrity Bakken and holders of vested Vitesse Oil MIUs will transfer all of their Vitesse Oil equity interests to Vitesse in exchange for newly issued shares of Vitesse common stock;
- Through a series of distributions, all of the Vitesse common stock held by Vitesse Energy Finance will ultimately become held directly by Jefferies;
- Through a series of distributions, a portion of the Vitesse common stock held by Jefferies Capital Partners will ultimately become held directly by Jefferies; and
- Vitesse will enter into the New Revolving Credit Facility and will use a portion of the proceeds from borrowings under the New Revolving Credit Facility to repay in full and terminate the Existing Revolving Credit Facility and to repay in full and terminate the Vitesse Oil Revolving Credit Facility.

Pursuant to the above described transactions, Jefferies will directly hold approximately [ ]% of the total issued and outstanding common stock of Vitesse immediately prior to the Distribution. For more information, see “Certain Relationships and Related Party Transactions—Other Transactions and Relationships with Related Persons.”

### When and How You Will Receive Vitesse Shares

Jefferies will distribute to its shareholders, as a pro rata dividend, for every [ ] shares of Jefferies common stock outstanding as of the close of business on [ ], 2022, [ ] share of our common stock.

Prior to the Distribution, Jefferies will deliver all of the issued and outstanding shares of our common stock held by Jefferies to the distribution agent. [ ] will serve as distribution agent in connection with the Distribution and as transfer agent and registrar for our common stock.

If you own Jefferies common stock as of the close of business on [ ], 2022, the shares of our common stock that you are entitled to receive in the Distribution will be issued to your account as follows:

- **Registered shareholders.** If you own your shares of Jefferies common stock directly through Jefferies’ transfer agent, AST, you are a registered shareholder. In this case, the distribution agent will credit the whole shares of our common stock you receive in the Distribution by way of direct registration in book-entry form to a new account with our transfer agent. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to shareholders, as is the case in the Distribution. You will be able to access information regarding your book-entry account holding the Vitesse shares at www. [ ].com or by calling [ ].
- Commencing on or shortly after the Distribution Date, the distribution agent will mail to you an account statement that indicates the number of whole shares of our common stock that have been registered in book-entry form in your name. We expect it will take the distribution agent up to [ ] after the Distribution Date to complete the distribution of the shares of our common stock and mail statements of holding to all registered shareholders.
- **“Street name” or beneficial shareholders.** If you own your shares of Jefferies common stock beneficially through a bank, broker or other nominee, such bank, broker or other nominee holds the shares in “street name” and records your ownership on its books. If you own your shares of Jefferies common stock through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the whole shares of our common stock that you receive in the Distribution on or shortly after the Distribution Date. We encourage you to contact your bank, broker or other nominee if you have any questions concerning the mechanics of having shares held in “street name.”

If you sell any of your shares of Jefferies common stock on or before the Distribution Date, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock to be distributed in respect of the Jefferies shares you sold. For more information, see the section entitled “—Trading Prior to the Distribution Date.”

We are not asking Jefferies shareholders to take any action in connection with the Spin-Off. No shareholder approval of the Spin-Off is required. We are not asking you for a proxy and request that you not send us a proxy. We are also not asking you to make any payment or surrender or exchange any of your shares of Jefferies common stock for shares of our common stock. The number of outstanding shares of Jefferies common stock will not change as a result of the Spin-Off.

#### **Number of Shares You Will Receive**

On the Distribution Date, for every [ ] shares of Jefferies common stock you owned as of the Record Date, you will receive [ ] share of our common stock.

#### **Treatment of Fractional Shares**

The distribution agent will not distribute any fractional shares of our common stock in connection with the Spin-Off. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of Jefferies shareholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees, transfer taxes and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). The distribution agent will, in its sole discretion, without any influence by Jefferies or us, determine when, how, through which broker-dealer and at what price to sell the whole shares. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either Jefferies or us.

The distribution agent will send to each registered holder of Jefferies common stock entitled to a fractional share a check in the cash amount deliverable in lieu of that holder's fractional share as soon as practicable following the Distribution Date. We expect the distribution agent to take about [ ] after the Distribution Date to complete the distribution of cash in lieu of fractional shares to Jefferies shareholders. If you hold your shares through a bank, broker or other nominee, your bank, broker or nominee will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales. No interest will be paid on any cash you receive in lieu of a fractional share. The cash you receive in lieu of a fractional share will generally be taxable to you for U.S. federal income tax purposes. For more information, see the section below entitled “—Material U.S. Federal Income Tax Consequences of the Spin-Off.”

#### **Material U.S. Federal Income Tax Consequences of the Spin-Off**

##### ***Consequences to Holders of Jefferies Common Stock***

The following is a summary of the material U.S. federal income tax consequences to holders of Jefferies common stock in connection with the Distribution. This summary is based on the Code, the Treasury Regulations promulgated under the Code and judicial and administrative interpretations of those laws, in each case as in effect and available as of the date of this Information Statement and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below.

This summary is limited to U.S. Holders of Jefferies common stock that hold their Jefferies common stock as a capital asset. For purposes of this summary, a “U.S. Holder” is a beneficial owner of Jefferies common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the U.S.;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the U.S. or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the U.S. is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (2) in the case of a trust that was treated as a domestic trust under law in effect before 1997, a valid election is in place under applicable Treasury Regulations.



This summary does not discuss all tax considerations that may be relevant to shareholders in light of their particular circumstances, nor does it address the consequences to shareholders subject to special treatment under the U.S. federal income tax laws, such as:

- dealers or traders in securities or currencies;
- tax-exempt entities;
- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons who acquired Jefferies common stock pursuant to the exercise of employee stock options or otherwise as compensation;
- shareholders who own, or are deemed to own, 10% or more, by voting power or value, of Jefferies common stock;
- shareholders owning Jefferies common stock as part of a position in a straddle or as part of a hedging, conversion or other risk reduction transaction for U.S. federal income tax purposes;
- certain former citizens or long-term residents of the United States;
- shareholders who are subject to the alternative minimum tax;
- persons who own Jefferies common stock through partnerships or other pass-through entities; or
- persons who hold Jefferies common stock through a tax-qualified retirement plan.

This summary does not address any U.S. state or local or foreign tax consequences or any estate, gift or other non-income tax consequences.

If a partnership, or any other entity treated as a partnership for U.S. federal income tax purposes, holds Jefferies common stock, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership is urged to consult its own tax advisor as to its tax consequences.

**YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF THE DISTRIBUTION.**

The consummation of the Distribution and certain related transactions is conditioned on Jefferies' receipt of the IRS Ruling to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code. The IRS Ruling will rely on certain assumptions and representations made, and information submitted, in connection with the ruling request. If any of the assumptions, representations or information are incorrect or not otherwise satisfied, Jefferies may not be able to rely on the IRS Ruling.

In addition, the consummation of the Distribution and certain related transactions is also conditioned upon Jefferies' receipt of a written opinion from Morgan, Lewis & Bockius LLP substantially to the effect that, based on the IRS Ruling and their analysis of the issues not addressed in the IRS Ruling, the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code. The opinion will rely on (a) customary representations and covenants made by Jefferies and Vitesse and (b) specified assumptions, including an assumption regarding the completion of the Distribution and certain related transactions in the manner contemplated by the transaction agreements. In addition, the ability to provide the tax opinion will depend on the absence of changes in existing facts or law between the date of this Information Statement and the date of the Distribution. If any of those representations, covenants or assumptions is inaccurate, Morgan, Lewis & Bockius LLP may not be able to provide the tax opinion or the tax consequences of the Distribution could differ from those described below. An opinion of tax counsel neither binds the IRS nor precludes the IRS or the courts from adopting a contrary position.

Accordingly, notwithstanding the IRS Ruling and the tax opinion, there can be no assurance that the IRS will not assert a position contrary to one or more of the conclusions set forth herein and if the IRS prevails in such challenge,

the U.S. federal income tax consequences of the Distribution, together with certain related transactions, to Jefferies, Vitesse and the holders of Jefferies common stock could be materially different from, and worse than, the U.S. federal income tax consequences described below.

On the basis that the Distribution and related transactions will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code, subject to the qualifications and limitations set forth herein (including the discussion below relating to the receipt of cash in lieu of fractional shares), for U.S. federal income tax purposes:

- no gain or loss should be recognized by, or be includible in the income of, a U.S. Holder as a result of the Distribution, except with respect to any cash received in lieu of fractional shares;
- the aggregate tax basis of the Jefferies common stock and our common stock held by each U.S. Holder immediately after the Distribution should be the same as the aggregate tax basis of the Jefferies common stock held by the U.S. Holder immediately before the Distribution, allocated between the Jefferies common stock and our common stock in proportion to their relative fair market values on the date of the Distribution (subject to reduction upon the deemed sale of any fractional shares, as described below); and
- the holding period of our common stock received by each U.S. Holder should include the holding period of its Jefferies common stock, provided that such Jefferies common stock is held as a capital asset on the date of the Distribution.

U.S. Holders that have acquired different blocks of Jefferies common stock at different times or at different prices are urged to consult their tax advisors regarding the allocation of their aggregate adjusted tax basis among, and the holding period of, shares of our common stock distributed with respect to such blocks of Jefferies common stock.

If a U.S. Holder receives cash in lieu of a fractional share of common stock as part of the Distribution, the U.S. Holder will be treated as though it first received a distribution of the fractional share in the Distribution and then sold it for the amount of cash actually received. Provided the fractional share is considered to be held as a capital asset on the date of the Distribution, the U.S. Holder will generally recognize capital gain or loss measured by the difference between the cash received for such fractional share and the U.S. Holder's tax basis in that fractional share, as determined above. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for the Jefferies common stock is more than one year on the date of the Distribution.

If it were determined that the Distribution, together with certain related transactions, did not qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and the Distribution did not qualify as a distribution to which Section 355 applies, the above consequences would not apply, and U.S. Holders could be subject to tax. In this case, each U.S. Holder who receives our common stock in the Distribution would generally be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which would generally result in:

- a taxable dividend to the U.S. Holder to the extent of that U.S. Holder's pro rata share of Jefferies' current and accumulated earnings and profits;
- a reduction in the U.S. Holder's basis (but not below zero) in Jefferies common stock to the extent the amount received exceeds the shareholder's share of Jefferies' earnings and profits; and
- a taxable gain from the exchange of Jefferies common stock to the extent the amount received exceeds the sum of the U.S. Holder's share of Jefferies' earnings and profits and the U.S. Holder's basis in its Jefferies common stock.

Treasury Regulations generally require any Jefferies shareholder that owns at least five percent of the total outstanding stock of Jefferies (by vote or value) to attach to its U.S. federal income tax return for the year in which the Distribution occurs a detailed statement setting forth certain information relating to the tax-free nature of the Distribution. Jefferies and/or Vitesse will provide the appropriate information to each holder upon request, and each such holder is required to retain permanent records of this information.

**Backup Withholding and Information Statement**

Payments of cash in lieu of a fractional share of our common stock may, under certain circumstances, be subject to “backup withholding,” unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Corporations will generally be exempt from backup withholding, but may be required to provide a certification to establish their entitlement to the exemption. Backup withholding is not an additional tax, and it may be refunded or credited against a holder’s U.S. federal income tax liability if the required information is timely supplied to the IRS.

Treasury Regulations require each Jefferies shareholder that, immediately before the Distribution, owned 5% or more (by vote or value) of the total outstanding stock of Jefferies to attach to such shareholder’s U.S. federal income tax return for the year in which the Distribution occurs a statement setting forth certain information related to the Distribution.

**Consequences to Jefferies**

If the Distribution, together with certain related transactions, were not to qualify as a tax-free transaction under Sections 368(a)(1)(D) and 355 of the Code, Jefferies would recognize a material amount of taxable gain for U.S. federal income tax purposes on the Distribution and/or certain related transactions, which could result in a material additional U.S. federal and state income tax liability to Jefferies.

Even if the Distribution were otherwise to qualify as a tax-free transaction under Sections 368(a)(1)(D) and 355 of the Code, the Distribution would be taxable to Jefferies (but not to Jefferies stockholders) pursuant to Section 355(e) of the Code if there were a 50% or greater change in ownership of either Jefferies or Vitesse, directly or indirectly, as part of a plan or series of related transactions that included the Distribution. For this purpose, any acquisitions of Jefferies or Vitesse common stock within the period beginning two years before the Distribution and ending two years after the Distribution are presumed to be part of such a plan, although Jefferies or Vitesse may be able to rebut that presumption. If the IRS were to determine that other acquisitions of Jefferies common stock or Vitesse common stock, either before or after the Distribution, were part of a plan or series of related transactions that included the Distribution, such determination could result in the recognition of a material amount of taxable gain for U.S. federal income tax purposes by Jefferies under Section 355(e) of the Code. In connection with the IRS Ruling and the tax opinion, Jefferies and Vitesse (to their knowledge) have represented (or will represent at or prior to the closing of the Distribution) that the Distribution is not part of any such plan or series of related transactions.

In general, under the Tax Matters Agreement, we will be required to indemnify Jefferies against any tax consequences arising as a result of certain prohibited actions by us or our respective subsidiaries. See “Certain Relationships and Related Party Transactions.” If the Distribution were to be a taxable transaction to Jefferies, the liability for payment of such tax by Jefferies, or by us under the Tax Matters Agreement, could have a material adverse effect on Jefferies or us, as the case may be.

**Results of the Spin-Off**

After the Spin-Off, we will be an independent, publicly traded company. Immediately following the Spin-Off, we expect to have approximately [ ] beneficial holders of shares of our common stock and approximately [ ] shares of our common stock outstanding, based on (1) the number of Jefferies shareholders and shares of Jefferies common stock outstanding on [ ], 2022 and (2) the expected number of Vitesse stockholders (other than Jefferies) and the expected number shares of Vitesse common stock outstanding (other than shares held by Jefferies) immediately prior to the Distribution as a result of the Pre-Spin-Off Transactions. The actual number of shares of our common stock Jefferies will distribute in the Spin-Off will depend on the actual number of shares of Jefferies common stock outstanding on the Record Date, which will reflect any issuance of new shares in respect of settlements or exercises of outstanding equity-based awards pursuant to Jefferies’ equity plans, on or prior to the Record Date. The Spin-Off will not affect the number of outstanding shares of Jefferies common stock or any rights of Jefferies shareholders, although we expect the trading price of shares of Jefferies common stock immediately following the Distribution to be lower than immediately prior to the Distribution because the trading price of Jefferies common stock will no longer reflect the value of Vitesse Energy. Furthermore, until the market has fully analyzed the value of Jefferies without Vitesse Energy, the trading price of shares of Jefferies common stock may fluctuate and result in a higher volatility in stock price.

Before our separation from Jefferies, we intend to enter into a Separation and Distribution Agreement and a Tax Matters Agreement with Jefferies related to the Spin-Off. These agreements will govern the relationship between Jefferies and us up to and after completion of the Spin-Off. We describe these arrangements in greater detail under the section entitled "Certain Relationships and Related Party Transactions."

#### **Listing and Trading of our Common Stock**

We are an indirect majority owned subsidiary of Jefferies. Immediately prior to the Distribution, Jefferies will hold approximately [ ]% of our total issued and outstanding common stock. Accordingly, no public market for our common stock currently exists, although a "when-issued" market in our common stock may develop prior to the Distribution. For an explanation of a "when-issued" market, see the section below entitled "—Trading Prior to the Distribution Date." We intend to list our shares of common stock on the NYSE under the ticker symbol "VTS." Following the Spin-Off, Jefferies common stock will continue to trade on the NYSE under the ticker symbol "JEF."

Neither we nor Jefferies can assure you as to the trading price of Jefferies common stock or our common stock after the Spin-Off, or as to whether the combined trading prices of our common stock and the Jefferies common stock after the Spin-Off will be less than, equal to or greater than the trading prices of Jefferies common stock prior to the Spin-Off. The trading price of our common stock may fluctuate significantly following the Spin-Off and result in a higher volatility in stock price. For more detail, see the section entitled "Risk Factors—Risks Relating to Our Common Stock."

The shares of our common stock distributed to Jefferies shareholders will be freely transferable, except for shares received by individuals who are our affiliates. Individuals who may be considered our affiliates after the Spin-Off include individuals who control, are controlled by or are under common control with us, as those terms generally are interpreted for U.S. federal securities law purposes. These individuals may include some or all of our directors and executives. Individuals who are our affiliates will be permitted to sell their shares of our common stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as those afforded by Section 4(a)(1) of the Securities Act or Rule 144 thereunder.

#### **Trading Prior to the Distribution Date**

We expect a "when-issued" market in our common stock to develop on or shortly before the Record Date for the Distribution and continue up to and including the Distribution Date. "When-issued" trading refers to a sale or purchase made conditionally on or before the Distribution Date because the securities of the spun-off entity have not yet been distributed. If you own shares of Jefferies common stock at the close of business on the Record Date, you will be entitled to receive shares of our common stock in the Distribution. You may trade this entitlement to receive shares of our common stock, without the shares of Jefferies common stock you own, on the "when-issued" market. We expect "when-issued" trades of our common stock to settle within two trading days after the Distribution Date. On the first trading day following the Distribution Date, we expect that "when-issued" trading of our common stock will end and "regular-way" trading will begin.

We also anticipate that, on or shortly before the Record Date and continuing up to and including the Distribution Date, there will be two markets in Jefferies common stock: a "regular-way" market and an "ex-distribution" market. Shares of Jefferies common stock that trade on the "regular-way" market will trade with an entitlement to receive shares of our common stock in the Distribution. Shares that trade on the "ex-distribution" market will trade without an entitlement to receive shares of our common stock in the Distribution. Therefore, if you sell shares of Jefferies common stock in the "regular-way" market up to and including the Distribution Date, you will be selling your right to receive shares of our common stock in the Distribution. However, if you own shares of Jefferies common stock at the close of business on the Record Date and sell those shares on the "ex-distribution" market up to and including the Distribution Date, you will still receive the shares of our common stock that you would otherwise be entitled to receive in the Distribution.

Following the Distribution Date, we expect shares of our common stock to be listed on the NYSE under the ticker symbol "VTS." If "when-issued" trading occurs, the listing for our common stock is expected to be under a ticker symbol different from our "regular-way" ticker symbol. We will announce our "when-issued" ticker symbol when and if it becomes available. If the Spin-Off does not occur, all "when-issued" trading will be null and void.

### Effect on Preferred Stock

Holders of Jefferies convertible preferred stock will not be entitled to participate in the Distribution unless they convert such securities into Jefferies common stock prior to the Record Date. Jefferies expects that, as a result of the Distribution, the conversion price of its convertible preferred stock will be adjusted in accordance with Jefferies' restated certificate of incorporation.

### Conditions to the Spin-Off

We expect that the Separation will be effective on the Distribution Date, provided that the following conditions shall have been satisfied or waived by Jefferies:

- the Jefferies Board and our Board, as applicable, shall have authorized and approved the applicable Pre-Spin-Off Transactions (as described in the section entitled "—Pre-Spin-Off Transactions") and Distribution and not withdrawn such authorization and approval, and shall have declared the dividend of our common stock to Jefferies shareholders;
- the ancillary agreements contemplated by the Separation and Distribution Agreement, including the Tax Matters Agreement, shall have been executed by each party to those agreements;
- our common stock shall have been accepted for listing on the NYSE or another national securities exchange approved by Jefferies, subject to official notice of issuance;
- the SEC shall have declared effective our Registration Statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- Jefferies shall have received the IRS Ruling, substantially to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- Jefferies shall have received the written opinion of Morgan, Lewis & Bockius LLP, which shall remain in full force and effect, subject to the limitations specified therein and the accuracy of and compliance with certain representations, warranties and covenants, to the effect that the Distribution, together with certain related transactions, will qualify as a tax-free "reorganization" for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the Distribution will qualify as a tax-free distribution within the meaning of Section 355 of the Code;
- the Jefferies Board shall have received one or more opinions (which have not been withdrawn or adversely modified) in customary form from one or more nationally recognized valuation, appraisal or accounting firms or investment banks as to the solvency and financial viability of Jefferies prior to the Spin-Off and each of Jefferies and Vitesse after the consummation of the Spin-Off;
- the Pre-Spin-Off Transactions shall have been completed;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of Jefferies shall have occurred or failed to occur that prevents the consummation of the Distribution;
- no other events or developments shall have occurred prior to the Distribution Date that, in the judgment of the Jefferies Board, would result in the Distribution having a material adverse effect on Jefferies or its shareholders;
- prior to the Distribution Date, notice of Internet availability of this Information Statement or this Information Statement shall have been mailed to the holders of Jefferies common stock as of the Record Date;
- Jefferies shall have duly elected the individuals listed as members of our post-Distribution Board in this Information Statement, and such individuals shall be the members of our Board, immediately after the Distribution; provided, however, that to the extent required by any law or requirement of the NYSE or any other national securities exchange, as applicable, the existing directors shall appoint one independent director prior to the date on which "when-issued" trading of our common stock begins and this independent

director shall begin his or her term prior to the Distribution and shall serve on our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee; and

- immediately prior to the Distribution Date, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each in substantially the form filed as an exhibit to the Registration Statement on Form 10, of which this Information Statement is a part, shall be in effect.

The fulfillment of the above conditions will not create any obligation on Jefferies' part to complete the Spin-Off. We are not aware of any material U.S. federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock and the SEC's declaration of the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, in connection with the Distribution. If the Jefferies Board waives any condition prior to the effectiveness of the Registration Statement on Form 10, of which this Information Statement is a part, and the result of such waiver is material to Jefferies shareholders, Jefferies will file an amendment to the Registration Statement to revise the disclosure in this Information Statement accordingly. In the event that the Jefferies Board waives a condition after this Registration Statement becomes effective and such waiver is material to Jefferies shareholders, Jefferies will communicate such change to Jefferies shareholders by filing a Current Report on Form 8-K describing the change. For a complete discussion of all of the conditions to the Distribution, see the section entitled "—Conditions to the Spin-Off."

In addition, Jefferies has the right not to complete the Spin-Off if, at any time, the Jefferies Board determines, in its sole and absolute discretion, that the Spin-Off is not in the best interests of Jefferies or its shareholders, or is otherwise not advisable. If the Spin-Off is not completed for any reason, Jefferies and Vitesse will have incurred significant costs related to the Spin-Off, including fees for consultants, financial and legal advisors, accountants and auditors, that will not be recouped. Total one-time transaction costs associated with the Spin-Off are preliminarily estimated to range from \$[ ] to \$[ ] if the Spin-Off is completed. If the Spin-Off is not completed for any reason, the one-time transaction costs will generally be limited to the transaction costs incurred for services rendered as of the date the Spin-Off is abandoned, which will be less than the ranges noted above. Our management has devoted significant time to manage the Spin-Off process, which has decreased the time they have had to manage the business of Vitesse.

#### **Reasons for Furnishing This Information Statement**

We are furnishing this Information Statement solely to provide information to Jefferies shareholders who will receive shares of our common stock in the Distribution. You should not construe this Information Statement as an inducement or encouragement to buy, hold or sell any of our securities or any securities of Jefferies. We believe that the information contained in this Information Statement is accurate as of the date set forth on the cover. Changes to the information contained in this Information Statement may occur after that date, and neither we nor Jefferies undertakes any obligation to update the information except in the normal course of our and Jefferies' public disclosure obligations and practices.

**DIVIDEND POLICY**

We expect that, following the Distribution, Vitesse will pay a regular cash dividend on a quarterly basis. Notwithstanding this current expectation regarding our dividend policy, the timing, declaration, amount of and payment of any dividends will be within the discretion of our Board and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt service obligations, legal requirements or limitations, industry practice, and other factors deemed relevant by our Board. Moreover, if as expected we determine to initially pay a dividend following the Distribution, there can be no assurance that we will continue to pay dividends in the same amounts or at all thereafter. We have not adopted, and do not currently expect to adopt, a separate written dividend policy to reflect our Board's policy. See also the section entitled "Risk Factors—Risks Relating to Our Common Stock—Although we expect to pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock."

**CAPITALIZATION**

The following table sets forth the cash and capitalization of Vitesse Energy as of May 31, 2022 (1) on a historical basis and (2) on a pro forma basis to give effect to the Spin-Off, as if it occurred on May 31, 2022. The information below is not necessarily indicative of what our capitalization would have been had the Spin-Off been completed as of May 31, 2022. In addition, it is not indicative of our future capitalization and may not reflect the capitalization or financial condition that would have resulted had we operated as an independent, publicly traded company as of May 31, 2022. You should review the following table in conjunction with the sections entitled "Unaudited Pro Forma Condensed Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Unaudited Condensed Consolidated Financial Statements and accompanying notes set forth in the section entitled "Index to Financial Statements."

	MAY 31, 2022	
	HISTORICAL	PRO FORMA <sup>(1)</sup>
	(in thousands)	
Cash	\$ 1,753	\$ 1,938
Long-term debt:		
Existing Revolving Credit Facility	84,000	—
New Revolving Credit Facility (2)	—	88,300
Total debt	<u>84,000</u>	<u>88,300</u>
Equity:		
Common stock, \$0.01 par value; [ ] shares authorized pro forma; [ ] shares issued and outstanding pro forma (3)	—	[ ]
Additional paid-in capital	—	[ ]
Members' equity	426,835	—
Total equity	<u>426,835</u>	<u>439,000</u>
Total capitalization	<u>\$ 510,835</u>	<u>\$ 527,300</u>

(1) Reflects combined totals of Vitesse Energy and Vitesse Oil.

(2) Reflects the use the proceeds from the New Revolving Credit Facility to repay in full and terminate the outstanding indebtedness under the Existing Revolving Credit Facility and the Vitesse Oil Revolving Credit Facility.

(3) Represents (i) the expected distribution of approximately [ ] shares of our common stock to holders of Jefferies common stock, based on the number of shares of Jefferies common stock outstanding on [ ], 2022, and (ii) the expected number of shares of our common stock outstanding (other than shares held by Jefferies) immediately prior to the Distribution as a result of the Pre-Spin-Off Transactions.



**SELECTED HISTORICAL FINANCIAL DATA**

The following tables present selected historical financial data as of and for the periods indicated. We derived the summary historical statements of operations data for the years ended November 30, 2021, November 30, 2020 and November 30, 2019, and summary historical balance sheet data as of November 30, 2021 and November 30, 2020, as set forth below, from Vitesse Energy's Audited Consolidated Financial Statements. We derived the summary historical statements of operations data for the six months ended May 31, 2022 and May 31, 2021, and summary historical balance sheet data as of May 31, 2022, as set forth below, from Vitesse Energy's Unaudited Condensed Consolidated Financial Statements. The summary historical balance sheet data as of May 31, 2021 and November 30, 2019, as set forth below, are derived from Vitesse Energy's unaudited condensed consolidated balance sheet as of May 31, 2021 and audited consolidated balance sheet as of November 30, 2019, respectively, which are not included in this Information Statement.

The selected historical financial data presented below should be read in conjunction with the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Financial Statements and the accompanying notes thereto, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the section entitled "Unaudited Pro Forma Condensed Combined Financial Statements." The selected historical financial data does not necessarily reflect what our results of operations and financial position would have been if we had operated as an independent, publicly traded company during the periods presented. In addition, our historical financial data does not reflect changes that we expect to experience in the future as a result of our separation from Jefferies or changes related to the Spin-Off. Accordingly, the historical results should not be relied upon as an indicator of our future performance.

(in thousands)	SIX MONTHS ENDED		YEAR ENDED NOVEMBER 30,		
	MAY 31,		2021	2020	2019
	2022	2021			
<b>Statement of Operations Data:</b>					
Revenue					
Oil	\$ 111,524	\$ 65,927	\$ 151,838	\$ 91,542	\$ 157,112
Natural gas	29,016	9,582	33,340	5,688	14,189
Total revenue	140,540	75,509	185,178	97,230	171,301
<b>Operating Expenses</b>					
Production	22,234	21,280	43,910	41,731	42,875
Production taxes	10,732	6,170	14,535	9,173	15,572
General and administrative	6,526	5,075	10,581	9,196	7,957
Depletion, depreciation, amortization, and accretion	29,262	30,535	60,846	58,307	64,721
Impairment of proved oil and gas properties	—	—	—	13,200	—
Unit-based compensation	24,868	887	1,409	(544)	3,295
Total operating expenses	93,622	63,947	131,281	131,063	134,420
<b>Operating Income (Loss)</b>	46,918	11,562	53,897	(33,833)	36,881
<b>Other (Expense) Income</b>					
Commodity derivative (loss) gain, net (1)	(68,902)	(27,469)	(32,590)	29,633	3,778
Interest expense	(1,624)	(1,755)	(3,207)	(4,679)	(4,794)
Other income	6	8	14	22	23
Total other (expense) income	(70,520)	(29,216)	(35,783)	24,976	(993)
<b>Net Income (Loss)</b>	<u>\$ (23,602)</u>	<u>\$ (17,654)</u>	<u>\$ 18,114</u>	<u>\$ (8,857)</u>	<u>\$ 35,888</u>

(in thousands)	SIX MONTHS ENDED		YEAR ENDED NOVEMBER 30,		
	MAY 31,		2021	2020	2019
	2022	2021			
<b>Selected Cash Flow and Other Financial Data:</b>					
Net income (loss)	\$ (23,602)	\$ (17,654)	\$ 18,114	\$ (8,857)	\$ 35,888
Depletion, depreciation, amortization, and accretion	29,262	30,535	60,846	58,307	64,721
Unrealized loss (gain) on derivative instruments	43,403	25,865	18,687	(2,472)	280
Other non-cash items	25,046	1,009	1,685	13,018	2,985
Changes in assets and liabilities	(15,364)	(5,651)	(12,361)	16,313	(2,680)
Net cash provided by operating activities	<u>\$ 58,745</u>	<u>\$ 34,104</u>	<u>\$ 86,971</u>	<u>\$ 76,309</u>	<u>\$ 101,194</u>
Capital expenditures	<u>\$ 38,011</u>	<u>\$ 15,958</u>	<u>\$ 43,317</u>	<u>\$ 70,808</u>	<u>\$ 104,367</u>

(in thousands)	AS OF MAY 31,		AS OF NOVEMBER 30,		
	2022	2021	2021	2020	2019
<b>Balance Sheet Data:</b>					
Cash	\$ 1,753	\$ 5,194	\$ 2,801	\$ 1,734	\$ 1,761
Revenue receivable	51,182	23,716	31,959	15,999	34,662
Oil and gas properties, net of accumulated depreciation, depletion, amortization and impairment	591,456	579,580	576,496	593,958	619,029
Commodities derivative assets	—	—	1,513	11,528	9,055
Other assets	2,815	1,585	1,359	3,911	2,882
Total assets	<u>\$ 647,206</u>	<u>\$ 610,075</u>	<u>\$ 614,128</u>	<u>\$ 627,130</u>	<u>\$ 667,389</u>
Current liabilities	75,033	35,380	32,200	22,373	48,856
Revolving credit facility	84,000	82,000	68,000	98,500	104,000
Other long-term liabilities (2)	48,552	17,876	14,705	13,784	13,857
Redeemable management incentive units	12,786	4,279	4,831	2,665	3,044
Members' equity	426,835	470,540	494,392	489,808	497,632
Total liabilities, redeemable units and members' equity	<u>\$ 647,206</u>	<u>\$ 610,075</u>	<u>\$ 614,128</u>	<u>\$ 627,130</u>	<u>\$ 667,389</u>

(1) Composed of (i) actual cash gains and losses recognized on settled commodity derivative instruments during the period and (ii) unsettled gains and losses based on mark-to-market accounting incurred on commodity derivative instruments outstanding at period end.

(2) Composed of unit-based compensation liability, commodity derivatives liability and asset retirement obligations.

#### Non-GAAP Financial Information

We include financial information prepared in accordance with accounting principles generally accepted in the United States, which we refer to as "GAAP," as well as the non-GAAP financial measures Net Debt, which we use as a measure of liquidity, and Adjusted EBITDA and PV-10, which we use as measures of our operational performance. Non-GAAP measures, such as Net Debt, Adjusted EBITDA and PV-10, should not be viewed as a supplement to nor a substitute for net income (loss) or any other performance measure calculated in accordance with GAAP or as a measure of our profitability or liquidity. As a result of the adjustments made in calculating Net Debt, Adjusted EBITDA and PV-10, there are significant limitations to using such measures as measures of performance or liquidity, as applicable, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income (loss). Such non-GAAP measures are not necessarily comparable to similarly titled measures reported by other companies.

**Reconciliations of Net Debt and Adjusted EBITDA to Most Directly Comparable GAAP Measures**

Net Debt is calculated by deducting cash on hand from the amount outstanding on our Existing Revolving Credit Facility as of the balance sheet or measurement date. We believe Net Debt is meaningful to investors because it is frequently used by analysts, investors and other interested parties in our industry to evaluate a company's debt position in relation to cash relative to its peers and competitors as a point in time measurement relative to other liquidity-based metrics.

Adjusted EBITDA is defined as net income before expenses for interest, income taxes, depletion, depreciation, amortization and accretion, and excludes non-cash gains and losses on unsettled derivative instruments and non-cash unit-based compensation in addition to certain items we consider non-routine in nature, including non-cash oil and natural gas property impairments and material non-recurring general and administrative costs related to the Spin-Off. We believe Adjusted EBITDA is useful to us and external users of our financial statements in understanding our operating results and the ongoing performance of our underlying business because it allows our management and investors to compare our operating performance on a consistent basis across periods and against our peers, since it removes or adjusts for the impact of, among other things, the impact of our capital structure, non-cash gains and losses on unsettled derivative instruments, non-cash unit-based compensation and the non-routine charges noted in the table below. We also use Adjusted EBITDA as a basis for strategic planning and forecasting.

(in thousands except for ratio)	TWELVE MONTHS ENDED MAY 31,		YEAR ENDED NOVEMBER 30,	
	2022	2021	2020	2019
<b>Revolving Credit Facility</b>	\$ 84,000	\$ 68,000	\$ 98,500	\$ 104,000
Cash	1,753	2,801	1,734	1,761
<b>Net Debt</b>	\$ 82,247	\$ 65,199	\$ 96,766	\$ 102,239
<b>Net Income (Loss)</b>	\$ 12,166	\$ 18,114	\$ (8,857)	\$ 35,888
Interest expense	3,076	3,207	4,679	4,825
Income taxes	—	—	—	—
Depletion, depreciation, amortization, and accretion	59,573	60,846	58,307	64,721
<b>EBITDA</b>	74,815	82,167	54,129	105,434
Unit-based compensation	25,390	1,409	(544)	3,295
Unrealized loss (gain) on derivatives	36,225	18,687	(2,473)	280
Adjustments for non-routine items <sup>(1)</sup>	—	—	13,200	—
<b>Adjusted EBITDA</b>	\$ 136,430	\$ 102,263	\$ 64,312	\$ 109,009
<b>Net Debt to Adjusted EBITDA ratio</b>	0.60	0.64	1.50	0.94

<sup>(1)</sup> Our Adjusted EBITDA calculation excludes certain items we consider non-routine and non-recurring. In 2020, adjustments for non-routine items were comprised of a \$13.2 million impairment charge to our Colorado and Wyoming properties because of the significant decline in oil and natural gas prices as a result of the COVID-19 pandemic.

**Reconciliation of PV-10 to Standardized Measure**

PV-10 is derived from the Standardized Measure, which is the most directly comparable GAAP financial measure for proved reserves calculated using SEC pricing. PV-10 is a computation of the Standardized Measure on a pre-tax basis. PV-10 is equal to the Standardized Measure at the applicable date, before deducting future income taxes, discounted at ten percent. We believe that the presentation of PV-10 is relevant and useful to investors because it presents the discounted future net cash flows attributable to our estimated proved reserves prior to taking into account future income taxes, and it is a useful measure for evaluating the relative monetary significance of our oil and natural gas properties. We use this measure when assessing the potential return on investment related to our oil and natural gas properties. PV-10, however, is not a substitute for the Standardized Measure. PV-10 and the Standardized Measure do not purport to represent the fair value of our oil and natural gas reserves.

The table below reconciles the pre-tax PV-10 value of our proved reserves at SEC prices as of November 30, 2021 to the Standardized Measure.

(in thousands)	YEAR ENDED NOVEMBER 30, 2021 <sup>(1)</sup>
Standardized Measure	\$ 601,613
Future Income Taxes, Discounted at 10% <sup>(2)</sup>	—
Pre-Tax Present Value of Estimated Future Net Revenues (Pre-Tax PV-10) <sup>(3)</sup>	<u>\$ 601,613</u>

<sup>(1)</sup> Discounted future net cash flows are valued as of November 30, 2021 based on average prices of \$64.81 per barrel of oil and \$3.46 per MMBtu of natural gas. Under SEC guidelines, these prices represent the unweighted average prices per barrel of oil and per MMBtu of natural gas at the beginning of each month in the twelve-month period prior to the end of the reporting period.

<sup>(2)</sup> Future income taxes for Vitesse as of November 30, 2021 were zero due to our tax status as a pass-through entity.

<sup>(3)</sup> Vitesse's PV-10 has historically been computed on the same basis as our Standardized Measure because it does not include a provision for future income taxes. Following the Spin-Off, we will be a corporation subject to entity-level income taxes. As a result, our calculation of PV-10 for annual periods following the Spin-Off will be adjusted upward for estimated future income tax expense, computed by applying the then applicable year end statutory tax rates to future pretax net cash flows, less the tax basis of the properties involved and utilization of available tax carryforwards related to oil and gas operations.

Uncertainties are inherent in estimating quantities of proved reserves, including many risk factors beyond our control. Reserve engineering is a subjective process of estimating subsurface accumulations of oil and natural gas that cannot be measured in an exact manner. As a result, estimates of proved reserves may vary depending upon the engineer estimating the reserves. Further, our actual realized price for our oil and natural gas is not likely to equal the pricing parameters used to calculate our proved reserves. As such, the oil and natural gas quantities and the value of those commodities ultimately recovered from our properties will vary from reserve estimates.

Additional discussion of our proved reserves is set forth under "Supplemental Oil and Gas Information (Unaudited)" in the notes to the Audited Consolidated Financial Statements in the section entitled "Index to Financial Statements."

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On July 19, 2022, Jefferies announced plans for the complete legal and structural separation of Vitesse from Jefferies. To effect the separation, first, Vitesse will undertake the transactions described under the section entitled “The Spin-Off—Pre-Spin-Off Transactions” in this Information Statement. Jefferies will subsequently distribute all of Vitesse’s common stock held by Jefferies, representing [ ]% of our total issued and outstanding common stock immediately prior to the Distribution, to Jefferies shareholders, and Vitesse will become an independent, publicly traded company. After the Distribution, Jefferies will not own any shares of our common stock.

The unaudited pro forma condensed combined financial statements of Vitesse have been derived from the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Financial Statements of Vitesse Energy (“VE”), included in the section entitled “Index to Financial Statements.” Vitesse is currently a shell company created to effectuate the Spin-Off. The predecessor of Vitesse is Vitesse Energy.

The unaudited pro forma financial information of Vitesse Oil (“VO”) has been derived from the historical financial statements of Vitesse Oil, which are not included in this Information Statement as Vitesse Oil is not a significant acquisition with respect to Vitesse Energy.

The unaudited pro forma condensed combined statement of operations for the six months ended May 31, 2022 and the year ended November 30, 2021 have been prepared as though the Spin-Off occurred on December 1, 2020. The unaudited pro forma condensed combined balance sheet as of May 31, 2022 has been prepared as though the Spin-Off occurred on May 31, 2022. The unaudited pro forma condensed combined financial statements were prepared in accordance with Article 11 of the Regulation S-X, updated for Release No. 33-10786, which was effective January 1, 2021. The unaudited pro forma condensed combined financial statements have been adjusted to give effect to certain pro forma adjustments referred to as “Spin Transaction Accounting Adjustments,” including:

- the distribution of our common stock by Jefferies to its shareholders in connection with the Spin-Off; and
- the recognition of additional estimated transaction costs related to the Spin-Off that are expected to be incurred after May 31, 2022.

The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have been achieved had the Spin-Off occurred on December 1, 2020 or May 31, 2022, respectively, nor are they indicative of our future operating results or financial position. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Information Statement as set forth in the notes to the unaudited pro forma condensed combined financial statements. Because these unaudited pro forma condensed combined financial statements have been prepared based upon preliminary estimates, the impact of the Spin-Off and the timing thereof could cause material differences from the information presented herein.

The unaudited pro forma condensed combined financial statements should be read in conjunction with our Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements and accompanying notes included under the section entitled “Index to Financial Statements” and the sections entitled “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The unaudited pro forma condensed combined financial information constitutes forward-looking information and is subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. For more information, see the sections entitled “Cautionary Statement Concerning Forward-Looking Statements” and “Risk Factors.”

**Unaudited Pro Forma Condensed Combined Statement of Operations  
For the Six Months Ended May 31, 2022**

(in thousands, except per share data)	VE HISTORICAL	VO HISTORICAL	VO TRANSACTION ACCOUNTING ADJUSTMENTS	SUB TOTAL	SPIN TRANSACTION ACCOUNTING ADJUSTMENTS	VITESSE PRO FORMA
<b>Revenue</b>						
Oil	\$ 111,524	\$ 10,425	\$ —	\$ 121,949	\$ —	\$ 121,949
Natural gas	29,016	1,783	—	30,799	—	30,799
Total revenue	140,540	12,208	—	152,748	—	152,748
<b>Operating Expenses</b>						
Production	22,234	1,765	—	23,999	—	23,999
Production taxes	10,732	1,033	—	11,765	—	11,765
General and administrative	6,526	642	—	7,168	—	7,168
Depletion, depreciation, amortization, and accretion	29,262	3,115	1,012 <sup>(b)</sup>	33,389	—	33,389
Unit-based compensation	24,868	—	—	24,868	—	24,868
Total operating expenses	93,622	6,555	1,012	101,189	—	101,189
<b>Operating Income (Loss)</b>	46,918	5,653	(1,012)	51,559	—	51,559
<b>Other (Expense) Income</b>						
Commodity derivative (loss) gain, net	(68,902)	(1,327)	—	(70,229)	—	(70,229)
Interest expense	(1,624)	(118)	—	(1,742)	—	(1,742)
Other income	6	—	—	6	—	6
Total other (expense) income	(70,520)	(1,445)	—	(71,965)	—	(71,965)
Net Income (loss) before income tax	(23,602)	4,208	(1,012)	20,406	—	(20,406)
Income tax provision	—	—	—	—	4,755 <sup>(f)</sup>	4,755
<b>Net Income (Loss)</b>	\$ (23,602)	\$ 4,208	\$ (1,012)	\$ (20,406)	\$ 4,755	\$ (15,651)
<b>Basic and Diluted Earnings per Common Unit/Share</b>	\$ (0.05)					\$ [ ] <sup>(c)(d)</sup>

**Unaudited Pro Forma Condensed Combined Balance Sheet  
As of May 31, 2022**

(in thousands)	VE HISTORICAL	VO HISTORICAL	VO TRANSACTION ACCOUNTING ADJUSTMENTS	SUB TOTAL	SPIN TRANSACTION ACCOUNTING ADJUSTMENTS	VITESSE PRO FORMA
Cash	\$ 1,753	\$ 185	\$ —	\$ 1,938	\$ —	\$ 1,938
Revenue receivable	51,182	3,993	—	55,175	—	55,175
Oil and gas properties, net of accumulated depreciation, depletion, amortization and impairment	591,456	61,235	23,949 <sup>(a)</sup>	676,640	—	676,640
Other assets	2,815	165	—	2,980	—	2,980
<b>Total assets</b>	<b>647,206</b>	<b>65,578</b>	<b>23,949</b>	<b>736,733</b>	<b>—</b>	<b>736,733</b>
Current liabilities	75,033	2,077	—	77,110	8,500 <sup>(e)</sup>	85,610
Revolving credit facility	84,000	4,300	—	88,300	—	88,300
Other long-term liabilities <sup>(1)</sup>	48,552	549	—	49,101	—	49,101
Deferred income taxes	—	—	—	—	61,936 <sup>(g)</sup>	61,936
Redeemable management incentive units	12,786	—	—	12,786	—	12,786
Members' equity	426,835	58,652	23,949 <sup>(a)</sup>	509,436	(70,436) <sup>(e)(g)</sup>	439,000
<b>Total liabilities, redeemable units and members' equity</b>	<b>\$ 647,206</b>	<b>\$ 65,578</b>	<b>\$ 23,949</b>	<b>\$ 736,733</b>	<b>\$ —</b>	<b>\$ 736,733</b>

<sup>(1)</sup> Composed of unit-based compensation liability, commodity derivatives liability and asset retirement obligations.

**Unaudited Pro Forma Condensed Combined Statement of Operations  
For the Year Ended November 30, 2021**

(in thousands, except per share data)	VE HISTORICAL	VO HISTORICAL	VO TRANSACTION ACCOUNTING ADJUSTMENTS	SUB TOTAL	SPIN TRANSACTION ACCOUNTING ADJUSTMENTS	VITESSE PRO FORMA
<b>Revenue</b>						
Oil	\$ 151,838	\$ 10,800	\$ —	\$ 162,638	\$ —	\$ 162,638
Natural gas	33,340	2,061	—	35,401	—	35,401
Total revenue	185,178	12,861	—	198,039	—	198,039
<b>Operating Expenses</b>						
Production	43,910	2,695	—	46,605	—	46,605
Production taxes	14,535	1,041	—	15,576	—	15,576
General and administrative	10,581	1,190	—	11,771	8,500 <sup>(e)</sup>	20,271
Depletion, depreciation, amortization, and accretion	60,846	5,249	1,989 <sup>(b)</sup>	68,084	—	68,084
Unit-based compensation	1,409	—	—	1,409	—	1,409
Total operating expenses	131,281	10,175	1,989	143,445	8,500	151,945
<b>Operating Income (Loss)</b>	53,897	2,686	(1,989)	54,594	(8,500)	46,094
<b>Other (Expense) Income</b>						
Commodity derivative (loss) gain, net	(32,590)	(824)	—	(33,414)	—	(33,414)
Interest expense	(3,207)	(122)	—	(3,329)	—	(3,329)
Other income	14	—	—	14	—	14
Total other (expense) income	(35,783)	(946)	—	(36,729)	—	(36,729)
Net Income (loss) before income tax	18,114	1,740	(1,989)	17,865	(8,500)	9,365
Income tax (expense) benefit	—	—	—	—	(2,182) <sup>(f)</sup>	(2,182)
<b>Net Income (Loss)</b>	<u>\$ 18,114</u>	<u>\$ 1,740</u>	<u>\$ (1,989)</u>	<u>\$ 17,865</u>	<u>\$ (10,682)</u>	<u>\$ 7,183</u>
<b>Basic and Diluted Earnings per Common Unit/Share</b>	<u>\$ 0.04</u>					<u>\$ [ ]</u> <sup>(c)(d)</sup>



**Basis of Presentation**

The historical financial information of Vitesse Energy included in these unaudited pro forma condensed combined financial statements of Vitesse is derived from the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements of Vitesse Energy. The pro forma adjustments in these unaudited pro forma condensed combined financial statements of Vitesse have been prepared (a) in the case of the pro forma condensed combined balance sheet, as if the Spin-Off had taken place on May 31, 2022, and (b) in the case of the pro forma condensed combined statements of operations for the six months ended May 31, 2022 and the year ended November 30, 2021, as if the Spin-Off had taken place on December 1, 2020.

The pro forma adjustments are based on currently available information and certain estimates and assumptions; therefore, the actual effects of these transactions will differ from the pro forma adjustments. A general description of these transactions and adjustments is provided as follows.

**1. VO Transaction**

a) The VO Transaction will be accounted for as a business combination under the acquisition method of accounting in accordance with Accounting Standards Codification 805. The allocation of the preliminary estimated purchase price with respect to the business combination is based upon management's estimates of and assumptions related to the fair values of the assets to be acquired and liabilities to be assumed using currently available information. The purchase price allocation resulted only in the step-up of oil and natural gas properties to its estimated fair value as all other assets acquired and liabilities assumed book values approximated their fair values. Due to the fact the unaudited pro forma condensed combined financial statements have been prepared using these preliminary estimates, the final purchase price allocation and the resulting effect may differ significantly from the pro forma amounts included herein.

The following table presents the preliminary purchase price allocation of the assets acquired and the liabilities assumed in the VO Transaction:

(in thousands)	PRELIMINARY PURCHASE PRICE ALLOCATION	
<b>Assets acquired</b>		
Cash	\$	185
Revenue receivable		3,993
Oil and gas properties		85,184
Other assets		165
Total assets to be acquired	\$	89,527
<b>Liabilities assumed</b>		
Current liabilities	\$	2,077
Credit facility		4,300
Other long-term liabilities		550
Total liabilities to be assumed		6,927
<b>Net assets to be acquired</b>	\$	82,600

b) Reflects depletion, depreciation, amortization, and accretion expense of approximately \$4.0 million and \$7.2 million for the six months ended May 31, 2022 and the year ended November 30, 2021, respectively, associated with the stepped-up basis of the acquired assets and the elimination of historical depletion, depreciation, amortization, and accretion expense of approximately \$3.0 million and \$5.2 million attributable to oil and natural gas properties, respectively, for the six months ended May 31, 2022 and the year ended November 30, 2021.

**2. Pre-Spin-Off Transactions**

We intend to enter into a New Revolving Credit Facility in connection with the Spin-Off. We anticipate the New Revolving Credit Facility will include the same bank group and be similar in aggregate size to our Existing Revolving Credit Facility and the Vitesse Oil Revolving Credit Facility. We will use the proceeds from the New Revolving Credit Facility to repay in full and terminate the outstanding indebtedness under the Existing Revolving Credit Facility and the Vitesse Oil Revolving Credit Facility with little or no impact to the unaudited pro forma condensed combined financial statements.

c) We intend to issue approximately [ ] shares of common stock to the owners of Vitesse Oil in connection with the acquisition of Vitesse Oil for the fair market value as of that date, which for purposes of these unaudited pro forma condensed combined financial statements is assumed to be \$82.6 million.

d) To implement the Spin-Off, for every [ ] shares of Jefferies common stock held by each Jefferies shareholder on the Record Date, such shareholder will receive a distribution of [ ] shares of Vitesse common stock, with such shareholder receiving cash in lieu of fractional shares of Vitesse common stock. We estimate that Jefferies will distribute approximately [ ] shares of our common stock, based on [ ] shares of Jefferies common stock outstanding as of [ ], 2022. For more information, see the section entitled "The Spin-Off—Treatment of Fractional Shares."

e) Reflects additional estimated transaction costs related to the Spin-Off that are expected to be incurred after May 31, 2022 and are therefore not reflected in the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements of Vitesse Energy.

### 3. Income Taxes

f) Reflects the income tax effect of the pro forma adjustments related to the acquisition of Vitesse Energy and Vitesse Oil, each a limited liability company, by Vitesse. The tax rate applied to the pro forma adjustments was the estimated combined statutory rate of 23.3%.

g) Reflects pro forma adjustments resulting in a \$61.9 million increase to the net deferred tax liability of Vitesse at the estimated statutory tax rate.

### 4. Supplemental Pro Forma Oil and Natural Gas Reserves Information

The following tables present the combined net proved developed and undeveloped oil and natural gas reserves as of November 30, 2021, along with a summary of changes in quantities of net remaining proved reserves during the year ended November 30, 2021. The combined reserve information set forth below gives effect to the Spin-Off as if it had occurred on December 1, 2020.

The following combined reserve information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have been achieved had the Spin-Off occurred on December 1, 2020 nor is it indicative of our future operating results or financial position. Because the following combined reserve information has been prepared based upon preliminary estimates, the impact of the Spin-Off and the timing thereof could cause material differences from the information presented herein.

	OIL (MBbls)		
	VE HISTORICAL	VO HISTORICAL	VITESSE PRO FORMA
<b>Proved Developed and Undeveloped Reserves at November 30, 2020</b>	<b>33,106</b>	<b>3,518</b>	<b>36,624</b>
Revisions of previous estimates	(2,998)	(349)	(3,347)
Extensions, discoveries and other additions	899	20	919
Acquisition of reserves	959	82	1,041
Production	(2,436)	(167)	(2,603)
Proved Developed and Undeveloped Reserves at November 30, 2021	29,530	3,104	32,634
<b>Proved Developed Reserves:</b>			
November 30, 2020	17,841	1,324	19,165
November 30, 2021	17,764	1,320	19,084
<b>Proved Undeveloped Reserves:</b>			
November 30, 2020	15,265	2,194	17,459
November 30, 2021	11,766	1,784	13,550

	GAS (MMcf)		
	VE HISTORICAL	VO HISTORICAL	VITESSE PRO FORMA
Proved Developed and Undeveloped Reserves at November 30, 2020	84,829	6,296	91,125
Revisions of previous estimates	(4,181)	(84)	(4,265)
Extensions, discoveries and other additions	2,648	36	2,684
Acquisition of reserves	1,793	173	1,966
Production	(7,065)	(399)	(7,464)
Proved Developed and Undeveloped Reserves at November 30, 2021	78,024	6,022	84,046
Proved Developed Reserves:			
November 30, 2020	47,418	2,960	50,378
November 30, 2021	58,437	3,224	61,661
Proved Undeveloped Reserves:			
November 30, 2020	37,411	3,336	40,747
November 30, 2021	19,587	2,798	22,385

	COMBINED (MBoe)		
	VE HISTORICAL	VO HISTORICAL	VITESSE PRO FORMA
Proved Developed and Undeveloped Reserves at November 30, 2020	47,244	4,567	51,811
Revisions of previous estimates	(3,694)	(363)	(4,057)
Extensions, discoveries and other additions	1,340	26	1,366
Acquisition of reserves	1,258	111	1,369
Production	(3,614)	(234)	(3,848)
Proved Developed and Undeveloped Reserves at November 30, 2021	42,534	4,107	46,641
Proved Developed Reserves:			
November 30, 2020	25,744	1,817	27,561
November 30, 2021	27,504	1,857	29,361
Proved Undeveloped Reserves:			
November 30, 2020	21,500	2,750	24,250
November 30, 2021	15,030	2,250	17,280

Notable changes in Vitesse Energy proved reserves for the year ended November 30, 2021 included the following:

- *Revisions to previous estimates.* In 2021, revisions to previous estimates increased proved developed and decreased proved undeveloped reserves by a net amount of 3,694 MBoe. Included in these revisions were 4,331 MBoe of upward adjustments caused by higher oil and natural gas prices and 7,399 MBoe of downward adjustments related to the removal of undeveloped drilling locations due to a slower than expected recovery of rig activity in the Williston Basin.

- *Extensions and discoveries.* In 2021, total extensions and discoveries of 1,340 MBoe were attributable to additions of proved undeveloped locations in the Williston Basin.

Notable changes in Vitesse Oil proved reserves for the year ended November 30, 2021 included the following:

- *Revisions to previous estimates.* In 2021, revisions to previous estimates increased proved developed and decreased proved undeveloped reserves by a net amount of 363 MBoe. Included in these revisions were 452 MBoe of upward adjustments caused by higher oil and natural gas prices and 667 MBoe of downward adjustments related to the removal of undeveloped drilling locations due to a slower than expected recovery of rig activity in the Williston Basin.

The combined Standardized Measure related to proved oil and natural gas reserves as of November 30, 2021 is as follows:

(in thousands)	VE HISTORICAL	VO HISTORICAL	SPIN TRANSACTION ADJUSTMENT	VITESSE PRO FORMA
Future cash inflows	\$ 2,151,098	\$ 223,762	\$ —	\$ 2,374,860
Future production costs	(816,329)	(71,164)	—	(887,493)
Future development costs	(230,101)	(22,339)	—	(252,440)
Future income tax expense	—	—	(202,177)	(202,177)
Future net cash inflows	<u>\$ 1,104,668</u>	<u>\$ 130,259</u>	<u>\$ (202,177)</u>	<u>\$ 1,032,750</u>
10% annual discount	(503,055)	(71,274)	90,153	(484,176)
SMOG Future Net Cashflows	<u>\$ 601,613</u>	<u>\$ 58,985</u>	<u>\$ (112,024)</u>	<u>\$ 548,574</u>

Changes in the combined Standardized Measure for the year ended November 30, 2021 are as follows:

(in thousands)	VE HISTORICAL	VO HISTORICAL	SPIN TRANSACTION ADJUSTMENT	VITESSE PRO FORMA
Beginning of Period	\$ 191,178	\$ 19,394	\$ —	\$ 210,572
Sales of oil and natural gas produced, net of production costs	(126,733)	(9,125)	—	(135,858)
Extensions and discoveries	17,911	464	—	18,375
Previously estimated development cost incurred during the period	16,924	1,417	—	18,341
Net change of prices and production costs	415,685	45,562	—	461,247
Change in future development costs	22,606	3,229	—	25,835
Revisions of quantity and timing estimates	(17,833)	(1,733)	—	(19,566)
Accretion of discount	19,118	1,939	—	21,057
Change in income taxes	—	—	(112,024)	(112,024)
Purchases of minerals in place	23,272	2,223	—	25,495
Other	39,485	(4,385)	—	35,100
End of Period	<u>\$ 601,613</u>	<u>\$ 58,985</u>	<u>\$ (112,024)</u>	<u>\$ 548,574</u>

## BUSINESS

### Our Company

We are an independent energy company engaged in the acquisition, development and production of non-operated oil and natural gas properties in the United States that are generally operated by leading oil companies and are primarily in the Bakken and Three Forks formations in the Williston Basin of North Dakota and Montana. We also have properties in the Central Rockies, including the Denver-Julesburg Basin and the Powder River Basin. Since our inception, we have built a strong and diversified asset base through a combination of property acquisitions, development activities and the implementation of proprietary non-operating platforms and processes utilizing our extensive data resources. We believe the location and concentration of our assets in some of North America's leading unconventional oil and natural gas resource plays, along with our technical and data capabilities, provide us with acquisition and development opportunities that will result in significant long-term value.

Vitesse has historically created value by acquiring non-operated minority working and mineral interests in oil and natural gas properties, comprising producing wells, near-term development opportunities and undeveloped acreage, and partnering with premier operators with significant experience in developing and producing oil and natural gas in our core areas. Over the past eight years, we have executed on our technical, data driven, and financially disciplined acquisition and development strategy to build our core position in the Williston Basin and Central Rockies and grow our oil and natural gas production. During that time, we have focused on limiting our downside by maintaining conservative acquisition guidelines, limiting our debt leverage and opportunistically hedging our oil production. As a result, we have been able to preserve value when many independent energy companies were forced into financial recapitalizations and restructurings when commodity prices collapsed in 2014, 2018 and 2020.

With the current higher oil and natural gas price environment, we are currently focused on using free cash flow to maintain a strong balance sheet, provide growing returns of capital to stockholders, and grow our oil and natural gas production by developing our extensive inventory of drilling locations and acquiring both producing wells and new development opportunities.

We owned an average working interest of 2.6% in 5,079 gross (129.8 net) productive wells and royalty interests in an additional 972 productive wells as of May 31, 2022. We engage in oil and natural gas well development by participating on a proportionate basis alongside third-party interests in wells drilled and completed in spacing units that include our acreage. As of May 31, 2022, we owned a working interest in 312 gross (9.3 net) wells that were being drilled or completed, and an additional 415 gross (9.6 net) wells that had been permitted for development by our operating partners. We rely on our operators to propose, permit and initiate the drilling and completion of wells. We assess each drilling and completion opportunity on a case-by-case basis and participate in wells that are expected to meet a desired return based upon estimates of recoverable oil and natural gas reserves, anticipated oil and natural gas prices, the expertise of the operator, and the anticipated completed well cost from each project, as well as other factors.

Our non-operated business model provides us with inherent flexibility regarding the cadence of capital deployment and the agility to allocate a portion of our cash flow to the drilling and completion opportunities that we believe will achieve the highest rate of return. We work with more than 35 experienced operators that provide technical insights and opportunities for additional acquisitions and continued development. In addition, our business model allows us to not be burdened with various contractual arrangements with respect to minimum drilling obligations, and we can avoid exploratory, upfront leasing and infrastructure costs customarily incurred by operators.

Our operators generally market and sell the oil and natural gas extracted from our wells. In addition, these operators coordinate the transportation of oil and natural gas production from wells in which we participate to appropriate pipelines or rail transport facilities pursuant to arrangements that such operators negotiate and maintain with various parties purchasing such production. The price at which our production is sold generally ties to a market spot price, and the Differential between the market spot price and our realized sales price represents the imbedded transportation and marketing costs of moving the oil and natural gas from the wellhead to the refinery or processing plant. The Differential will fluctuate based on availability of pipeline, rail and other transportation methods.

Vitesse is led by a dedicated management team with extensive experience in the energy industry. Our management team includes Bob Gerrity, our Chief Executive Officer, a successful industry leader who was the founder and chief executive officer of Gerrity Oil & Gas Corporation, which pioneered low-cost “reserve manufacturing” in the Wattenberg field of Colorado during the 1990s. Gerrity Oil & Gas Corporation was one of the most active operators in the United States following its IPO in 1990, at times running more than 15 active drilling rigs and completing as many as 500 wells per year. Gerrity Oil & Gas Corporation merged with Snyder Oil Corporation to form Patina Oil & Gas Corporation in 1996, which was later merged with Noble Energy, Inc. in 2005. Today, these former assets comprise a material portion of Chevron Corporation’s position in the Denver-Julesburg Basin.

Leveraging his prior experience and acknowledging the trend in advances in shale drilling and completion technologies, Mr. Gerrity believed the shale industry would transition to a reserve manufacturing phase marked by well-capitalized and efficient low-cost operators. In 2013, Mr. Gerrity and Brian Cree, our President and Chief Operating Officer, began to seek out non-operated lease and mineral interests with development opportunities in areas of the Williston Basin that were in the core of the field and operated by premier industry leaders, at which time Jefferies Capital Partners made an initial investment in Vitesse Oil to partially fund the acquisition of non-operated working and mineral interests primarily in undeveloped oil and natural gas assets. In 2014, Messrs. Gerrity and Cree began to see a growing number of acquisition and development opportunities in the Williston Basin, and Jefferies made a direct investment in Vitesse to support larger scale acquisition and development efforts. Since that time, Vitesse has completed over 120 acquisitions totaling approximately \$520 million and deployed over \$400 million in the development of oil and natural gas properties.

Vitesse Oil, which will be acquired by Vitesse as part of the Pre-Spin-Off Transactions, is an independent energy company also engaged in the acquisition, development and production of non-operated oil and natural gas properties in the Williston Basin of North Dakota. As of May 31, 2022, Vitesse Oil had 2,151 net acres in the Williston Basin and owned working interests in approximately 841 gross (7.7 net) productive wells and royalty interests in an additional 120 productive wells, with average production of 830 Boe per day during the month ended May 31, 2022. In addition, Vitesse Oil had 86 gross (0.4 net) wells that were being drilled or completed, and an additional 84 gross (0.3 net) wells that had been permitted for future development by its operators as of May 31, 2022. Based on year-end SEC prices, as of December 31, 2021, Vitesse Oil had approximately 4,107 MBoe of estimated proved reserves located primarily in the core of the Williston Basin, and average production of 641 Boe per day for the year ended December 31, 2021.

The following table provides a summary of certain information regarding our assets as of November 30, 2021, including proved reserves as prepared by our third-party independent reserve engineers, Cawley.

	AS OF NOVEMBER 30, 2021							% PROVED DEVELOPED
	NET ACRES	PRODUCTIVE WELLS <sup>(1)</sup>		AVERAGE DAILY PRODUCTION <sup>(2)</sup> (Boe/d)	PROVED RESERVES <sup>(3)</sup> (MBoe)	PV-10 <sup>(3)</sup> (in thousands)	% OIL	
		GROSS	NET					
Williston Basin	46,013	4,821	112	9,394	39,609	\$ 548,378	70%	63%
Central Rockies <sup>(4)</sup>	179	66	13	770	2,925	54,555	61%	95%
<b>Total</b>	<b>46,192</b>	<b>4,887</b>	<b>125</b>	<b>10,164</b>	<b>42,534</b>	<b>\$ 602,934</b>	<b>69%</b>	<b>65%</b>

(1) In addition, we have royalty interests in 992 productive wells.

(2) Represents the average daily production over the month ended November 30, 2021.

(3) Proved reserve quantities and related PV-10 values have been derived from a WTI oil price of \$64.81 per Bbl and Henry Hub natural gas price of \$3.46 per MMBtu, which were calculated using an average of the first-day-of-the-month price for each month within the 12 months ended November 30, 2021 as required by SEC and FASB guidelines. PV-10 is a non-GAAP financial measure that does not include the effects of income taxes on future net revenues, and are not intended to represent fair market value of our oil and natural gas properties. For a definition of and reconciliation of PV-10 to its nearest GAAP financial measure, see “Selected Historical Financial Data—Non-GAAP Financial Information.”

(4) Includes Denver-Julesburg and Powder River Basin assets, consisting primarily of wellbore only ownership.

In addition to the proved reserves shown in the table above, we believe our acreage includes over 200 net undeveloped drilling locations not currently classified as proved, containing up to 160,000 MBoe of incremental reserves, as of November 30, 2021, using the same pricing as above. We identify drilling locations based on our assessment of current geologic, engineering and land data. This includes current well spacing information per drilling and spacing unit derived from state agencies and our operators. We generally do not have evidence of our operators' long-term development plans, but we use a deterministic approach to define and allocate locations to proved, probable and possible reserves. While many of our undeveloped drilling locations qualify as geologic and engineering proved reserves, we limit our proved undeveloped reserves to those locations that are reasonably certain to be developed over the next five years.

### **Our Business Strategy**

Our business strategy is focused on creating long-term stockholder value through the profitable acquisition, development and production of oil and natural gas assets at attractive rates of return, while maintaining a strong and conservative balance sheet and distributing a meaningful and growing portion of our free cash flow to our stockholders. The key elements of our business strategy include the following:

- *Built to Last.* From our inception, we have focused on creating a durable organization that generates strong financial returns and sustainable free cash flow through commodity cycles. As opposed to primarily acquiring producing reserves, we have focused our efforts on acquiring an attractive inventory of undeveloped drilling locations that afford us flexibility in the face of oil and natural gas price fluctuations and have taken advantage of technical improvements and cost reductions over time, supporting the sustainable generation of free cash flow. Our management team fosters a culture of innovation and continuous improvement, constantly looking for ways to improve our operations, technical and data analysis, and strengthen our organizational agility and adaptability.
- *Risk Diversification.* We seek to diversify our capital and operational risk through participation in a large number of oil and natural gas wells and with multiple operators across multiple basins. We seek to diversify our risk by operator, formation, value concentration and commodity (oil and natural gas). As of May 31, 2022, we owned an average working interest of 2.6% in 5,079 gross (129.8 net) productive wells and royalty interests in an additional 972 productive wells, with more than 35 experienced operators that provide development and production activities on our oil and natural gas properties. We believe we can further diversify our risk over time with acquisitions in additional basins, focusing on accretive acquisitions of high-quality assets with experienced operators in the most prolific basins in the United States. During the six months ended May 31, 2022, our average production was 9,672 Boe per day, consisting of approximately 8,596 Boe per day in the Williston Basin and 1,076 Boe per day in the Central Rockies. During the month ended May 31, 2022, our average production was 10,340 Boe per day, consisting of approximately 9,193 Boe per day in the Williston Basin and 1,147 Boe per day in the Central Rockies.
- *Growth through Value-Enhancing Acquisitions.* We have been a consolidator and clearing house of non-operated working interests in various leading oil and natural gas shale plays in the United States, and we will continue that strategy and potentially pursue operated asset packages and other acquisition strategies going forward. Our near-term drilling acquisition strategy is centered around building a strong presence in our core basins by acquiring smaller non-operated lease and wellbore positions with direct exposure to near-term drilling activity. By virtue of their smaller footprint, these targeted acquisitions have been completed at a significant discount to the prices paid for contiguous acreage positions typically sought by larger producers and operators of oil and natural gas wells. Acquisitions such as these have been a significant driver of increasing our production. Over the last eight years, we have closed approximately 120 discrete acquisitions totaling more than \$520 million, and we intend to continue these activities, while at the same time evaluating and pursuing larger asset packages in both our current area of operations and other areas. We believe our disciplined acquisition strategy can responsibly add production, cash flow and scale to existing operations.
- *Strong Balance Sheet and Financial Flexibility.* We plan for financial strength and flexibility through the prudent management of our balance sheet and free cash flow. During 2020 and 2021, we were free cash flow positive and reduced our outstanding debt from \$104.0 million at November 30, 2019 to \$68.0 million at November 30, 2021. As a result of strategic acquisitions, our outstanding debt increased

to \$84.0 million at May 31, 2022. Following the Spin-Off, we intend to maintain conservative indebtedness and a simple capital structure consisting only of our New Revolving Credit Facility and common stock. We intend to maintain the flexibility to manage our free cash flow by continuing to adhere to a target Net Debt to Adjusted EBITDA ratio (last twelve months) of less than 1.0. As of May 31, 2022, our Net Debt to Adjusted EBITDA ratio (last twelve months) was 0.6. For the twelve months ended May 31, 2022, we generated net income and Adjusted EBITDA of \$12.2 million and \$136.4 million, respectively. From our inception in 2014 through November 30, 2021, we generated approximately \$88.0 million of net income during a volatile commodity price environment. For definitions and reconciliations of Net Debt and Adjusted EBITDA to their most directly comparable financial measures in accordance with GAAP, see “Selected Historical Financial Data—Non-GAAP Financial Information.”

- *Dividends to Stockholders.* Our business plan focuses on building a diversified, low-leverage, free cash flow generating business that can deliver meaningful and growing dividends to our stockholders. We made cash distributions to our members totaling \$25.0 million during 2019, \$12.0 million during 2021, and \$36.0 million during the six months ended May 31, 2022. In addition to the aforementioned cash distribution payments, during 2019 and 2020, Jefferies realized close to \$30.0 million in hedging gains that were attributable to derivatives associated with our oil production, further demonstrating our commitment to returning value to our investors. Following the Distribution, we expect that Vitesse will pay a regular cash dividend on a quarterly basis.
- *Hedging Strategy.* To reduce our exposure to the volatility of oil prices and protect our ability to pay distributions, we have entered into hedging derivative instruments for a portion of our expected oil production, which have included swaps, collars, puts and other structures. We historically have layered in oil hedges both on an opportunistic basis when WTI prices have allowed us to recognize attractive rates of return on our asset base and upon acquisitions of larger producing assets to protect returns. We currently do not hedge natural gas production due to the mismatch between our operators’ pricing formulas and settlement mechanics on natural gas hedges. Our current hedged position mitigates our exposure to volatile oil prices by layering in hedges covering approximately 30% of our expected oil production through November 30, 2024. However, in the past, based on then-existing market conditions, we have hedged significantly higher percentages of our actual oil production. For further information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosure about Market Risk—Commodity Price Risk.”
- *Responsible Stewards.* We are committed to ESG initiatives and seek a culture of improvement in ESG practices. We work to provide safe, reliable and affordable energy in a responsible manner by partnering with responsible operators in our core areas, while being cognizant of the broader energy transition. The key tenets of our ESG philosophy are to identify opportunities to reduce our environmental impact, improve safety, invest in our employees, and support the communities in which we live and work while improving transparency and accountability. At the time of the Distribution, our Board will be majority independent and composed of experienced professionals with a strong background in the energy industry and more broadly in business. To help strengthen our ESG performance, we have implemented compensation practices focused on value creation and aligned with stockholder interests.

#### **Our Competitive Strengths**

We believe that we will be able to successfully execute our business strategies because of the following competitive strengths:

- *Every Decision is a Financial Decision.* Our business culture encourages employees to think like owners and to make decisions with a long-term perspective. We have developed a systematic approach of responsibly reviewing acquisition and development opportunities. As part of our efforts to maximize returns, we have established a capital allocation framework with the objective of allocating capital to acquisitions and development of oil and natural gas properties to drive sustainability and growth in free cash flow, the repayment of debt and stockholder dividends. We are focused on a capital allocation framework that entails low development reinvestment rates, allowing us to return a significant portion of our cash flow back to our stockholders, and will retain flexibility with respect to share repurchases, subject to approval from our Board and as conditions warrant. We will continue to evaluate and pursue profitable and accretive acquisition and



consolidation opportunities that enhance stockholder value and build scale. As opportunities arise, we intend to identify and acquire additional acreage and producing assets to supplement our existing operations.

- *Data and Technology Driven*. Our proprietary data-driven approach allows for rapid multi-disciplinary evaluation to determine the most attractive acquisition and development opportunities. We created customized data systems (vLuminis) that are integrated, centralized and utilized by our employees so that decisions are based on a common base of information. We maintain real-time business intelligence dashboards to monitor operators, rigs, well performance, drilling and completion costs and production results. This data informs model forecasts, type curves and decisions about acquisition and development opportunities. We maintain responsive, basin-wide models that are updated in real time and incorporate historical data by operator and region. These models, along with our proprietary systems and platforms, provide necessary inputs and evaluation metrics, which allow us to make informed investment decisions based on forecasted production, operating expenses, type curves, drilling inventory, cash flow and other operational and financial outputs. As a result, we have the capability to process multiple opportunities quickly with the current team in place.
- *Experienced Management and Industry Relationships*. Vitesse's management team has developed deep and longstanding relationships with many of our operators, other working interest and mineral owners, investment banks, acquisition and divestiture companies and investors. A majority of our evaluated and executed acquisitions and transactions are self-sourced. We have become a preferred non-operator to some of the largest companies operating in the Williston Basin and Central Rockies given our track record of evaluating and acquiring non-operated oil and natural gas working interests, and being a responsible financial partner. As a result, we see broad deal flow from single wellbore near-term development acquisition opportunities to packages consisting of both producing and undeveloped assets worth hundreds of millions of dollars. Our management team has an over 30-year track record of creating value together at both private and public oil and natural gas companies.
- *Proactive Asset Management Philosophy*. Our experienced team of landmen and accountants review acquired assets to unlock incremental value. Many assets we acquire have title defects or other land related issues where deep analysis and consistent, quality diligence adds value in many areas, including increased working interest ownership and working capital management. Our long-term view provides the time to solve issues and find additional well interests to increase the velocity of overall returns. This is enabled by strong departmental relationships with operators and accurate data management.

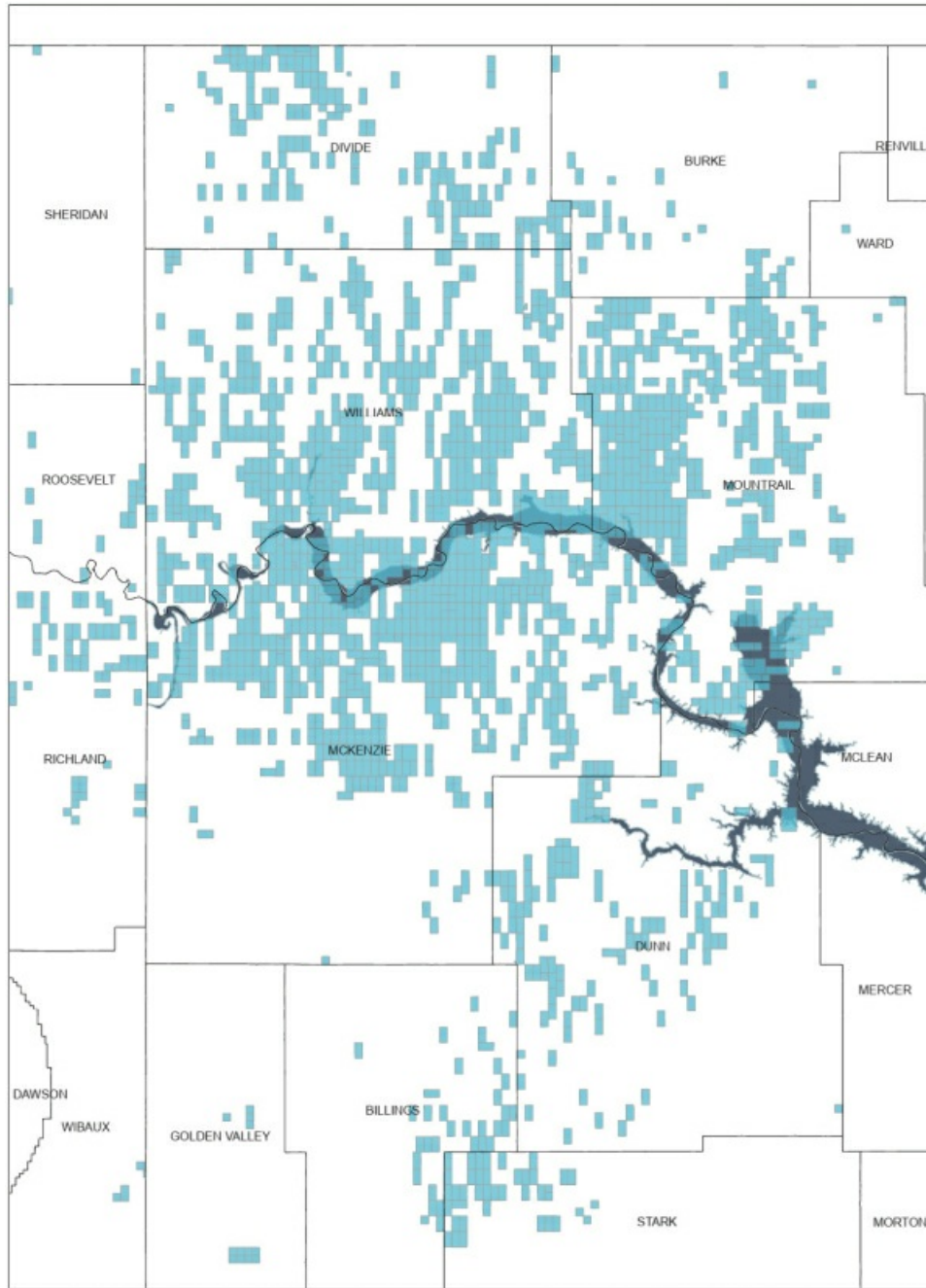
## **Our Properties**

### ***Williston Basin (North Dakota and Montana)***

The Williston Basin stretches from western North Dakota into eastern Montana, with the majority of drilling activity conducted by our operators, all of which is horizontal, located in Dunn, McKenzie, Mountrail, and Williams Counties, North Dakota. Approximately 75% of our 46,626 net acres as of May 31, 2022 are in the above counties of the Bakken and Three Forks formations and over 99% of our acreage in the Williston Basin is held by production. As of May 31, 2022, we had a working interest in 5,003 gross (115.7 net) productive wells and royalty interests in an additional 971 productive wells. In addition to these productive wells, we had 276 gross (5.7 net) working interest wells that are being drilled or completed, and 411 gross (9.5 net) wells that have been permitted for future development by our operating partners. Our estimated proved reserves in North Dakota and Montana as of November 30, 2021 were 39,609 MBoe (70% oil), which represented 93% of our total estimated proved reserves and contributed average production of 9,394 Boe per day during the month ended November 30, 2021.

We have been active in the Williston Basin since 2014 and have seen our thesis for continued growth and expansion of the field come to fruition. The Williston Basin is a world class oil field and we expect to see continued growth in recoverable reserves for many years. We have a significant inventory of remaining undeveloped drilling locations that we expect to see developed over the next 10 to 15 years. In addition, we are seeing the early signs of incremental growth and development throughout the field from successful refrac programs, extended length three-mile lateral infills and consolidation of assets to more active and basin focused operators.

The map below illustrates our acreage position in the Williston Basin as of May 31, 2022.



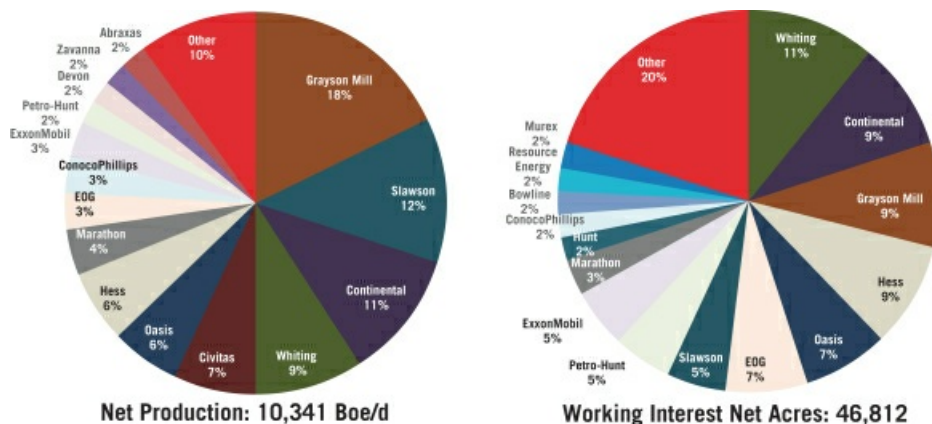
**Denver-Julesburg Basin (Colorado and Wyoming)**

The Denver-Julesburg Basin is located in Northeast Colorado and Southeast Wyoming, with the majority of operator horizontal drilling activity located in Weld and Broomfield Counties, Colorado, and Laramie County, Wyoming. Our assets in this area primarily consist of wellbore only ownership and target the Codell formation and several productive zones within the Niobrara formation. We owned a working interest in 71 gross (13.3 net) productive wells as of May 31, 2022 operated primarily by Civitas Resources, Inc., PDC Energy, Inc., EOG Resources Inc. and Chevron Corporation. In addition to the productive wells, we have 34 gross (3.3 net) wells that were being completed by our operating partners as of May 31, 2022.

**Powder River Basin (Wyoming)**

Our Powder River Basin assets primarily target the Parkman, Sussex, Turner and Niobrara formations. We owned a working interest in five gross (0.8 net) productive wells as of May 31, 2021. In addition to these productive wells, we have 2 gross (0.3 net) wells that were being completed and 2 gross (0.1 net) wells that have been permitted for future drilling by our operators as of May 31, 2022.

The diagrams below illustrate our net production and working interest net acres by operator for the month ended May 31, 2022.



**Reserves**

**Estimated Net Proved Reserves**

The table below summarizes our estimated net proved reserves for the periods indicated based on reports prepared by Cawley, our third-party independent reserve engineer, except that a portion of our proved undeveloped reserves for the years ended November 30, 2020 and 2019 are based on internal reserve estimates. In preparing its reports, Cawley evaluated properties representing our total proved reserves for the year ended November 30, 2021 and our proved developed reserves and a portion of our proved undeveloped reserves for the years ended November 30, 2020

and 2019 in accordance with the rules and regulations of the SEC applicable to companies involved in oil and natural gas producing activities. Our estimated net proved reserves in the table below do not include probable or possible reserves and do not in any way include or reflect our commodity derivatives.

	AS OF NOVEMBER 30,		
	2021	2020	2019
<b>Estimated proved developed:</b>			
Oil (MBbls)	17,764	17,841	18,928
Natural gas (MMcf)	58,437	47,418	39,059
Total (MBoe)	27,504	25,744	25,438
<b>Estimated proved undeveloped:</b>			
Oil (MBbls)	11,765	15,265	22,342
Natural gas (MMcf)	19,586	37,410	48,264
Total (MBoe)	15,030	21,500	30,386
<b>Estimated total proved reserves:</b>			
Oil (MBbls)	29,530	33,106	41,271
Natural gas (MMcf)	78,023	84,829	87,324
Total (MBoe)	42,534	47,244	55,825
Percent proved developed	64.7%	54.5%	45.6%

Estimated net proved reserves as of November 30, 2021 were 42,534 MBoe, and we held working interests in 32.5 net proved undeveloped drilling locations included in such reserves as of November 30, 2021.

The table below sets forth summary information by reserve category with respect to estimated proved reserves volumes and related PV-10 values as of November 30, 2021.

RESERVE CATEGORY	SEC PRICING PROVED RESERVES <sup>(1)</sup>						
	RESERVE VOLUMES				PV-10 <sup>(3)</sup>		
	OIL (MBbls)	NATURAL GAS (MMcf)		TOTAL (MBoe) <sup>(2)</sup>	%	AMOUNT (in thousands)	
PDP Properties	15,926	52,150	24,618	58%	\$ 409,515	68%	
PDNP Properties	1,838	6,287	2,886	7%	50,631	8%	
PUD Properties	11,766	19,586	15,030	35%	141,467	24%	
Total	<u>29,530</u>	<u>78,023</u>	<u>42,534</u>	<u>100%</u>	<u>\$ 601,613</u>	<u>100%</u>	

(1) Oil and natural gas reserve quantities and related discounted future net cash flows are valued as of November 30, 2021 based on average prices of \$64.81 per barrel of oil and \$3.46 per MMBtu of natural gas. Under SEC guidelines, these prices represent the average prices per barrel of oil and per MMBtu of natural gas at the beginning of each month in the twelve-month period prior to the end of the reporting period.

(2) Boe are computed based on a conversion ratio of one Boe for each barrel of oil and one Boe for every 6 Mcf of natural gas.

(3) PV-10 is a non-GAAP financial measure that does not include the effects of income taxes on future net revenues, and are not intended to represent fair market value of our oil and natural gas properties. For a definition of and reconciliation of PV-10 to its nearest GAAP financial measure, see "Selected Historical Financial Data—Non-GAAP Financial Information."

**Proved Undeveloped Reserves**

As of November 30, 2021, we had approximately 15,030 MBoe of proved undeveloped reserves. Changes in proved undeveloped reserves that occurred from November 30, 2020 to November 30, 2021 were due to:

	<u>MBoe</u>
Balance at November 30, 2020	21,500
Acquisitions	1,258
Extensions, discoveries and other additions	1,340
Transfers to estimated proved developed reserves	(2,193)
Revisions	(6,875)
Balance at November 30, 2021	<u>15,030</u>

Notable changes in proved undeveloped reserves for the year ended November 31, 2021 included the following:

- *Acquisitions:* We acquired 1,258 MBoe of proved undeveloped reserves related to 63 gross (2.2 net) uncompleted wells in the Williston Basin and Central Rockies during 2021.
- *Extensions, discoveries and other additions:* Total extensions and discoveries of 1,340 MBoe were attributable to additions of proved undeveloped locations in the Williston Basin.
- *Transfers to estimated proved developed reserves:* Development costs of \$17.6 million were incurred in connection with the development of locations that were classified as proved undeveloped reserves as of November 30, 2021, and 2,193 MBoe of proved undeveloped reserves were converted to proved developed reserves during the period.
- *Revisions:* Approximately 6,875 MBoe of downward adjustments related to reducing the number of undeveloped drilling locations due to a slower recovery of drilling rig activity than previously expected in the Williston Basin at year end 2021.

We expect that our proved undeveloped reserves will continue to be converted to proved developed producing reserves as additional wells are drilled on our acreage. All locations comprising our remaining proved undeveloped reserves are forecast to be drilled within five years from initially being recorded in accordance with our development plan.

As of November 30, 2021, the PV-10 value of our proved undeveloped reserves amounted to approximately 24% of the PV-10 value of our total proved reserves. There are numerous uncertainties regarding undeveloped reserves. The development of these reserves is dependent upon a number of factors which include but are not limited to: financial targets such as drilling within cash flow or reducing debt, satisfactory rates of return on proposed drilling projects, and the level of drilling activity by operators in areas where we hold leasehold interests. With 68% of the PV-10 value of our total proved reserves supported by producing wells, we believe we will have sufficient cash flows and adequate liquidity to execute our development plan. PV-10 is a non-GAAP financial measure that does not include the effects of income taxes on future net revenues and is not intended to represent the fair market value of our oil and natural gas properties. For a definition of and reconciliation of PV-10 to its nearest GAAP financial measure, see "Selected Historical Financial Data—Non-GAAP Financial Information."

**Independent Petroleum Engineers**

We have engaged Cawley to prepare our estimated proved reserves. Cawley is an independent reservoir-evaluation consulting firm who evaluates oil and natural gas properties and independently certifies petroleum reserves quantities for various clients throughout the United States. Cawley has substantial experience calculating the reserves of various other companies with operations targeting the Bakken and Three Forks formations and, as such, we believe Cawley has sufficient experience to appropriately determine our reserves. Cawley utilizes proprietary technology, systems and data to calculate our reserves commensurate with this experience. The reports of our estimated proved reserves in their entirety are based on the information we provide to them. Cawley is a Texas Registered Engineering Firm (F-693). The technical person at Cawley who is primarily responsible for overseeing the preparation of our reserves estimates is Todd Brooker, President. Mr. Brooker is a state of Texas Licensed

Professional Engineer (License # 83462). He is also a member of the Society of Petroleum Engineers and has over 25 years of experience in oil and natural gas reservoir studies and evaluations.

In accordance with applicable requirements of the SEC, estimates of our net proved reserves and future net revenues are made using average prices at the beginning of each month in the 12-month period prior to the date of such reserve estimates and are held constant throughout the life of the properties.

The reserves set forth in the Cawley report for our properties are estimated by performance methods or analogy. In general, reserves attributable to producing wells and/or reservoirs are estimated by performance methods such as decline curve analysis which utilizes extrapolations of historical production data. Reserves attributable to non-producing and undeveloped reserves included in our report are estimated by analogy.

To estimate economically recoverable oil and natural gas reserves and related future net cash flows, Cawley considers many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be demonstrated to be economically producible based on existing economic conditions including the prices and costs at which economic productivity from a reservoir is to be determined as of the effective date of the report. With respect to the property interests we own, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, production taxes, recompletion and development costs and product prices are based on the SEC regulations, geological maps, well logs, core analyses, and pressure measurements.

The reserve data set forth in the Cawley report represents only estimates, and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, the actual revenues and costs could be more or less than the estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their estimated values, including many factors beyond our control. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geologic interpretation and judgment. As a result, estimates of different engineers, including those used by us, may vary. In addition, estimates of reserves are subject to revision based upon actual production, results of future development and exploration activities, prevailing oil and natural gas prices, operating costs and other factors. The revisions may be material. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered and are highly dependent upon the accuracy of the assumptions upon which they are based. See "Risk Factors—Risks Relating to our Business—Our estimated proved, probable and possible reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our total reserves."

#### ***Internal Controls Over Reserves Estimation Process***

We utilize Cawley, a third-party reservoir engineering firm, as our independent reserves evaluator for 100% of our proved reserves base. In addition, we employ an internal reserve engineering department, which is led by our Chief Engineer, who is responsible for overseeing the preparation of our reserves estimates. Our Chief Engineer has a B.S. in petroleum engineering from Texas A&M University, over twenty years of oil and gas experience, including 15 years with a focus on reserve evaluation, and additional experience with acquisitions, operations and production engineering in multiple basins.

Our reserve engineering department meets with our independent third-party engineering firm to review properties and discuss evaluation methods and assumptions used in the proved reserves estimates, in accordance with our prescribed internal control procedures. Our internal controls over the reserves estimation process include verification of input data, as well as management review, such as, but not limited to the following:

- comparison of historical expenses from the lease operating statements and workover authorizations for expenditure to the operating costs input;

- review of working interests and net revenue interests in our reserves database against our well ownership system;
- review of historical realized prices and Differentials from index prices as compared to the Differentials used in our reserves database;
- review of updated capital costs based on information from our operators and actual drilling and completion costs on recent activity;
- review of internal reserve estimates by well and by area by our internal reservoir engineer;
- discussion of material reserve variances among our internal reservoir engineer and our executive management; and
- review of a preliminary copy of the reserve report by executive management.

**Production, Price and Production Expenses**

The price that we receive for the oil and natural gas produced from wells in which we hold interests is largely a function of market supply and demand. Demand is impacted by general economic conditions, weather and other seasonal conditions, including hurricanes and tropical storms. Over or under supply of oil or natural gas can result in substantial price volatility. Oil supply in the United States has grown over the past few years, and the supply of oil could impact oil prices in the United States if the supply outstrips domestic demand. Historically, commodity prices have been volatile, and we expect that volatility to continue in the future. A substantial or extended decline in oil or natural gas prices or poor drilling results could have a material adverse effect on our financial position, results of operations, cash flows, quantities of oil and natural gas reserves that may be economically produced and our ability to access capital markets.

The table below sets forth information regarding our oil and natural gas production, realized prices and production costs for the periods indicated.

	YEAR ENDED NOVEMBER 30,		
	2021	2020	2019
<b>Net Production:</b>			
Oil (MBbls)	2,436	2,599	3,063
Natural gas (MMcf)	7,066	5,609	5,105
Total (MBoe)	3,614	3,534	3,914
Oil (Bbl) per day	6,673	7,101	8,393
Natural gas (Mcf) per day	19,357	15,325	13,987
Total (Boe) per day	9,899	9,655	10,724
<b>Average Sales Prices:</b>			
Oil (per Bbl)	\$ 62.34	\$ 35.22	\$ 51.29
Effect of gain (loss) on realized oil derivative on average price (per Bbl)	(5.37)	10.45	1.32
Oil Net of Realized Oil Derivatives (per Bbl)	56.97	45.67	52.61
Natural gas and NGLs (per Mcf)	4.72	1.01	2.78
Effect of gain (loss) on realized natural gas derivatives on average price (per Mcf)	(0.12)	—	—
Natural gas and NGLs net of realized natural gas derivative (per Mcf)	4.60	1.01	2.78
Realized price on a Boe basis excluding realized commodity derivatives	51.25	27.51	43.76
Effect of gain (loss) on realized commodity derivatives on average prices (per Boe)	(3.85)	7.69	1.04
Realized price on a Boe basis net of realized commodity derivatives	47.40	35.20	44.80
<b>Average Costs:</b>			
Production expenses (per Boe)	\$ 12.15	\$ 11.81	\$ 10.95

**Drilling and Development Activity**

The table below sets forth the number of gross and net productive and non-productive wells in which we owned a working interest drilled in the periods indicated. The number of wells drilled refers to the number of wells completed at any time during the period, regardless of when drilling was initiated.

	NOVEMBER 30,					
	2021		2020		2019	
	GROSS	NET	GROSS	NET	GROSS	NET
<b>Exploratory Wells:</b>						
Oil	—	—	—	—	—	—
Natural gas	—	—	—	—	—	—
Non-productive	—	—	—	—	—	—
<b>Development Wells:</b>						
Oil	229	6.2	201	3.3	358	10.0
Natural gas	—	—	—	—	—	—
Non-productive	—	—	—	—	—	—
<b>Total productive exploratory and development wells</b>	<b>229</b>	<b>6.2</b>	<b>201</b>	<b>3.3</b>	<b>358</b>	<b>10.0</b>

The table below sets forth summary information by location with respect to estimated productive wells in which we owned a working interest as of May 31, 2022.

	AS OF MAY 31, 2022		
	PRODUCTIVE WELLS		AVERAGE WORKING INTEREST
	GROSS	NET	
<b>Combined Total:</b>			
Williston Basin	5,003	116	2.3%
Central Rockies (1)	76	14	18.4%
<b>Total</b>	<b>5,079</b>	<b>130</b>	<b>2.6%</b>

(1) Includes Denver-Julesburg and Powder River Basin wells.

In addition, we owned royalty interests in 972 productive wells as of May 31, 2022.

As of May 31, 2022, we owned a working interest in 312 gross (9.3 net) wells that were being drilled or completed, and an additional 415 gross (9.6 net) wells that had been permitted for development by our operating partners.

**Acreage**

The table below sets forth our estimated gross and net undeveloped acreage by geographic area as of May 31, 2022.

	UNDEVELOPED ACREAGE		TOTAL ACREAGE	
	GROSS	NET	GROSS	NET
	Williston	61,436	2,842	1,688,164
Central Rockies (1)	9,600	87	14,560	186
<b>Total</b>	<b>71,036</b>	<b>2,929</b>	<b>1,702,724</b>	<b>46,812</b>

(1) Includes Denver-Julesburg and Powder River Basin acreage.



### **Industry Operating Environment**

We operate in a highly cyclical industry. Demand for oil and natural gas is cyclical and is subject to large and rapid fluctuations. This is primarily because the industry is driven by commodity demand and corresponding price increases. When oil and natural gas price increases occur, producers generally increase their capital expenditures, which generally results in greater revenues and profits. The increased capital expenditures also ultimately result in greater production, which historically has resulted in increased supplies and reduced prices. For these reasons, our results of operations may fluctuate from quarter-to-quarter and from year-to-year, and these fluctuations may distort period-to-period comparisons of our results of operations.

The global energy mix is also transitioning to cleaner lower carbon sources and our business is not immune to these trends. In our view, energy transition will play out over the coming decades and oil and natural gas will still be a dominant source for affordable and reliable energy. We see the quality of our asset base, depth of inventory and competitive economics carrying us profitably through this transition.

### **Development**

We primarily engage in oil and natural gas development and production by participating on a proportionate basis alongside third-party interests in wells drilled and completed in spacing units that include our leasehold interests. In addition, we acquire wellbore interests in wells in which we do not hold the underlying leasehold interests from third parties unable or unwilling to participate in certain well proposals. We typically depend on our operators to propose, permit, and initiate the drilling and completion of wells. Prior to commencing drilling, our operators are required to provide all owners of working interests within the designated spacing unit the opportunity to participate in the drilling and completion costs and net revenues of the well to the extent of their pro-rata share of such interest within the spacing unit. We assess each drilling and completion opportunity on a case-by-case basis and participate in wells that are expected to meet a desired return based upon estimates of recoverable oil and natural gas, anticipated oil and natural gas prices, the expertise of the operator, and the anticipated completed well cost from each project, as well as other factors. Historically, we have participated pursuant to our working interest in a vast majority of the wells proposed to us. However, declines in oil prices typically reduce both the number of well proposals we receive and the proportion of well proposals in which we elect to participate. Our land, engineering and finance teams use our extensive database to make these economic decisions. Vitesse created customized data systems (vLuminis) that are integrated, centralized and utilized by our employees to evaluate development opportunities. These data systems maintain real time dashboards to monitor operators, rigs, well performance and costs. Given our large acreage footprint and substantial number of well participations, we believe we can make accurate economic drilling and completion decisions utilizing our data systems.

Historically, we have not managed our commodities marketing activities internally. Instead, our operators generally market and sell oil and natural gas produced from wells in which we have an interest. Our operators coordinate the transportation of our oil and natural gas production from our wells to appropriate pipelines or rail transport facilities pursuant to arrangements that they negotiate and maintain with various parties purchasing the production. We understand that our operating partners generally sell our production to a variety of purchasers at prevailing market prices under separately negotiated short-term contracts. Although we have historically relied on our operators for these activities, we may in the future seek to take a portion of our production in kind and internally manage the marketing activities for such production. The price at which our production is sold is generally tied to the spot market for oil or natural gas. The price at which our oil production is sold typically reflects a discount to the WTI benchmark price. This Differential primarily represents the transportation costs in moving the oil from wellhead to refinery and will fluctuate based on availability of pipeline, rail and other transportation methods. The price at which our natural gas production is sold may reflect either a discount or premium to the NYMEX benchmark price.

### **Competition**

Although we plan to focus on a target asset class and deal size where we believe that competition and costs are reduced as compared to the broader oil and natural gas industry, the acquisition market for non-operated and operated properties remains intensely competitive, and we will compete with other oil and natural gas companies for acquisitions, some of which have substantially greater resources than us and may be able to pay more for properties.

There is currently only one public company with a focus on acquiring non-operated assets, with an enterprise value of approximately \$3.1 billion as of June 30, 2022. Public companies that directly manage and operate assets are potentially net sellers of non-operated assets, which makes them potential partners and sources of deals for us.

Other sources of competition might come from new IPOs, which is a market that has been largely unavailable to non-operators, as evidenced by the fact that in the last 10 years there has not been a single traditional IPO of a non-operated focused company. Special Purpose Acquisition Companies ("SPACs") that seek to take advantage of the non-operated market dynamic are another source of potential competition. For example, on May 16, 2022, Grey Rock Investment Partners and Executive Network Partnering Corporation announced that they had entered into a definitive agreement to complete a business combination to form Granite Ridge Resources, Inc., a non-operated oil and natural gas company. New sources of capital like asset-backed securitizations and insurance company balance sheet investments have also made the non-operated sector a focus.

We believe our management is particularly suited to capitalize on this opportunity and generate attractive returns given our deep energy acquisition experience and relationships in the non-operated sector, which we believe will help us in deal-sourcing, asset selection, underwriting and financing.

Finally, the emerging impact of climate change activism, fuel conservation measures, governmental requirements for renewable energy resources, increasing demand for alternative forms of energy, and technological advances in energy generation devices may result in reduced demand for the oil and natural gas we produce.

#### **Title to Our Properties**

Prior to completing an acquisition of non-operated working or royalty interests, we perform a title review on each tract to be acquired. Our title review is meant to confirm the quantum of non-operated working and royalty interest owned by a prospective seller, the property's lease status and royalty amount as well as encumbrances or other related burdens.

In addition to our initial title work, operators often will conduct a thorough title examination prior to drilling a well. Should our title work uncover any further title defects, we will perform curative work with respect to such defects. We believe that the title to our assets is satisfactory in all material respects.

Our oil and natural gas properties are subject to customary royalty and other interests, liens under indebtedness, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions. We expect that our indebtedness under our New Revolving Credit Facility will also be secured by liens on substantially all our assets. We do not believe that any of these burdens materially interfere with the use of our properties or the operation of our business.

#### **Seasonality**

Winter weather events and conditions, such as ice storms, blizzards and freezing conditions, and lease stipulations can limit or temporarily halt the drilling and producing activities of our operators and other oil and natural gas operations. These constraints and the resulting shortages or high costs could delay or temporarily halt the operations of our operators and materially increase our operating and capital costs. Such seasonal anomalies can also pose challenges for meeting well drilling objectives and may increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay or temporarily halt our operators' operations.

#### **Regulation and Environmental Matters**

Our operations are subject to various rules, regulations and limitations impacting the oil and natural gas acquisition, development and production industry as whole.

***Regulation of Oil and Natural Gas Production***

Our oil and natural gas development, production and related operations are subject to extensive rules and regulations promulgated by federal, state, tribal and local authorities and agencies. For example, North Dakota and Montana require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the development and production of oil and natural gas. Such states may also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, limitations or prohibitions on the venting or flaring of natural gas, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the process of drilling, completion and abandonment, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. Moreover, the current administration has indicated that it expects to impose additional federal regulations limiting access to and production from federal lands, although recent executive actions to pause drilling on federal lands have been subject to ongoing litigation. The effect of these regulations is to limit the amount of oil and natural gas that we can produce from our wells and to limit the number of wells or the locations at which we can drill. Moreover, many states impose a production or severance tax with respect to the production and sale of oil, natural gas and NGLs within their jurisdictions. Failure to comply with any such rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry will most likely increase our cost of doing business and may affect our profitability. Because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws. Significant expenditures may be required to comply with governmental laws and regulations and may have a material adverse effect on our financial condition and results of operations. Additionally, currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered. Therefore, we are unable to predict the future costs or impact of compliance. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by Congress, the states, FERC and the courts. We cannot predict when or whether any such proposals may become effective.

***Regulation of Transportation of Oil***

Sales of oil, condensate and NGLs are not currently regulated and are made at negotiated prices. Nevertheless, Congress could reenact price controls in the future. Our sales of oil are affected by the availability, terms and cost of transportation. The transportation of oil by common carrier pipelines is also subject to rate and access regulation. FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. In general, interstate oil pipeline rates must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates may be permitted in certain circumstances. Effective January 1, 1995, FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates for oil pipelines that allows a pipeline to increase its rates annually up to a prescribed ceiling, without making a cost-of-service filing. Every five years, FERC reviews the appropriateness of the index level in relation to changes in industry costs. On January 20, 2022, FERC established a new price index for the five-year period which commenced on July 1, 2021.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any way that is of material difference from those of our competitors who are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is generally governed by pro-rationing provisions set forth in the pipelines' published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our similarly situated competitors.

***Regulation of Transportation and Sales of Natural Gas***

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by FERC under the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Onshore gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states. Although FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, FERC's determinations as to the classification of facilities is done on a case-by-case basis. State regulation of natural gas gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transportation services provided by intrastate pipelines are also regulated by FERC. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulation within a particular state will generally affect all intrastate natural gas shippers within the state on a comparable basis, we believe that the regulation of similarly situated intrastate natural gas transportation in any states in which we operate and ship natural gas on an intrastate basis will not affect our operations in any way that is of material difference from those of our competitors. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas.

#### ***Environmental Matters***

Our operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation is generally toward stricter standards, and this trend will likely continue. These laws and regulations may:

- require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities;
- limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

The permits required for our operations may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their rules and regulations, and violations can be subject to fines, injunctions, or both. In the opinion of management, we are in substantial compliance with current applicable environmental laws and regulations, and have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on our company, as well as the oil and natural gas industry in general.

CERCLA, and comparable state statutes impose strict, joint and several liability on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. RCRA, and comparable state statutes, govern the disposal of "solid waste" and "hazardous waste" and authorize the imposition of substantial fines and penalties for noncompliance. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum related products. In addition, although the RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements. Recent regulation and litigation that has been brought against others in the industry under the RCRA concern liability for earthquakes that were allegedly caused by injection of oil field wastes.

The ESA seeks to ensure that activities do not jeopardize endangered or threatened animal, fish and plant species, nor destroy or modify the critical habitat of such species. Under the ESA, exploration and production operations, as well as actions by federal agencies, may not significantly impair or jeopardize a covered species or its habitat. The ESA provides for criminal penalties for willful violations of the ESA. Other statutes that provide protection to animal

and plant species and that may apply to our operators' activities include, but are not necessarily limited to, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. Although we believe that our operators are in substantial compliance with such statutes, any change in these statutes or any reclassification of a species as endangered or threatened could subject our company (directly or indirectly through our operators) to significant expenses to modify our operations or could force discontinuation of certain operations altogether.

The CAA controls air emissions from oil and natural gas production and natural gas processing operations, among other sources. The CAA regulations include NSPS for the oil and natural gas source category to address emissions of sulfur dioxide and VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities.

On November 2, 2021, EPA proposed to revise and add to the NSPS program rules. These rules, if adopted, could have a significant impact on the upstream and midstream oil and natural gas sectors. The proposed rule would impose further restrictions on methane and VOC emissions for new and modified facilities in the oil and natural gas sector. Methane is a greenhouse gas. The proposed rules also would regulate, for the first time under the NSPS program, existing oil and natural gas facilities. Specifically as it concerns existing sources, the EPA's proposed new rule would require states to implement plans that meet or exceed federally established emission reduction guidelines for oil and natural gas facilities. Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as greenhouse gas cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, the United Nations-sponsored Paris Agreement calls for parties to set and achieve individually-determined greenhouse gas emission reduction goals every five years after 2020. While the United States withdrew from the Paris Agreement effective November 4, 2020, President Biden recommitted the United States to the Paris Agreement on January 20, 2021.

These regulations and proposals and any other new regulations requiring the installation of more sophisticated pollution control equipment or restrictions on operations could have a material adverse impact on our business, results of operations and financial condition.

The CWA imposes restrictions and controls on the discharge of produced waters and other pollutants into WOTUS. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. The CWA and certain state regulations prohibit the discharge of produced water, sand, drilling fluids, drill cuttings, sediment and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters without an individual or general National Pollutant Discharge Elimination System discharge permit. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. The meaning of WOTUS has been heavily litigated and the subject of rulemaking in recent years. Most recently, on January 24, 2022, the Supreme Court agreed to hear a case to determine the propriety of the "significant nexus" interpretation of the rule, which could further impact the scope of the definition of WOTUS. Regardless, the applicable WOTUS definition affects what CWA permitting or other regulatory obligations may be triggered during development and operation of our properties, and changes to the WOTUS definition could cause delays in development and/or increase the cost of development and operation of our properties. Some states also maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions.

The OPA amends and augments the oil spill provisions of the CWA and imposes certain duties and liabilities on certain "responsible parties" related to the prevention of oil spills and damages resulting from such spills in or threatening waters of the United States or adjoining shorelines. For example, operators of certain oil and natural gas facilities must develop, implement and maintain facility response plans, conduct annual spill training for certain employees and provide varying degrees of financial assurance. Owners or operators of a facility, vessel or pipeline that is a source of an oil discharge or that poses the substantial threat of discharge is one type of "responsible party" who is liable. The OPA applies joint and several liability, without regard to fault, to each liable party for oil removal costs and a variety of public and private damages. As such, a violation of the OPA has the potential to adversely affect our business.

The CAA, CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of oil and other pollutants and impose liability on parties responsible for those discharges, for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The underground injection of oil and natural gas wastes are regulated by the Underground Injection Control program authorized by the SDWA. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Substantially all of the oil and natural gas production in which we have interest is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into a wellbore to create cracks in the deep-rock formation to stimulate gas production. Legislation to amend the SDWA to repeal the exemption for hydraulic fracturing from the definition of "underground injection" and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, were proposed in recent sessions of Congress. Congress continues to consider legislation to amend the SDWA to address hydraulic fracturing operations. In addition, in 2020, the Supreme Court held that the CWA requires a discharge permit if the addition of pollutants through groundwater is the "functional equivalent" of a direct discharge from the point source into navigable waters. Costs may be associated with the treatment of wastewater and/or developing and implementing storm water pollution prevention plans. If in the future CWA permitting is required for saltwater injection wells as a result of the 2020 Supreme Court ruling, the costs of permitting and compliance for injection well operations by the companies that operate the Properties could increase.

Scrutiny of hydraulic fracturing activities continues in other ways. The federal government is currently undertaking several studies of hydraulic fracturing's potential impacts. Several states, including Montana and North Dakota where our properties are located, have also proposed or adopted legislative or regulatory restrictions on hydraulic fracturing. A number of municipalities in other states, including Colorado, have enacted bans on hydraulic fracturing. In Colorado, the Colorado Supreme Court has ruled the municipal bans were preempted by state law. However, the Colorado legislature subsequently enacted "SB 101" that gave significant local control over oil and natural gas well head operations. Municipalities in Colorado have enacted local rules restricting oil and natural gas operations based on SB 101. We cannot predict whether any other legislation will ever be enacted and if so, what its provisions would be. If additional levels of regulation and permits were required through the adoption of new laws and regulations at the federal or state level, it could lead to delays, increased operating costs and process prohibitions that would materially adversely affect our revenue and results of operations.

The NEPA establishes a national environmental policy and goals for the protection, maintenance and enhancement of the environment and provides a process for implementing these goals within federal agencies. A major federal agency action having the potential to significantly impact the environment requires review under NEPA. Many of the activities of our third-party operators are covered under NEPA. Some activities are subject to robust NEPA review which could lead to delays and increased costs that could materially adversely affect our revenues and results of operations. Other activities are covered under categorical exclusions which results in a shorter NEPA review process. In April 2022, the Biden Administration finalized a rule to undue changes to NEPA enacted under the Trump Administration. The April 2022 rule promulgation is considered phase one of a two-phase review of the 2020 NEPA Rule that was announced by the Biden Administration to emphasize the need to review federal actions for climate change and environmental justice impacts, among other factors. These new and (if enacted) additional anticipated changes to the NEPA review process would affect the assessment of projects ranging from oil and gas leasing to development on public and Indian lands.

#### **Climate Change**

Significant studies and research have been devoted to climate change, and climate change has developed into a major political issue in the United States and globally. Certain research suggests that greenhouse gas emissions contribute to climate change and pose a threat to the environment. Recent scientific research and political debate has focused in part on carbon dioxide and methane incidental to oil and natural gas exploration and production.

In response to findings that emissions of carbon dioxide, methane, and other GHGs present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the CAA that, among other things, require preconstruction and operating permits for GHG emissions from certain large stationary sources that already emit conventional pollutants above a certain threshold. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis, which may include operations on our properties.

Congress has from time to time considered legislation to reduce emissions of GHGs. Most recently, in August 2022, Congress passed, and President Biden signed, the Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022 establishes a program designed to reduce methane emissions from certain oil and natural gas facilities, which includes a charge on methane emissions above certain thresholds. In addition, a number of state and regional efforts have emerged that are aimed at tracking or reducing GHG emissions by means of cap and trade programs. These programs typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact us, any future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, operators' equipment and operations could require them to incur costs to reduce emissions of GHGs associated with their operations. For example, although EPA regulations implementing the methane charge requirements associated with the Inflation Reduction Act of 2022 have not yet been developed, the future implementation of these requirements could result in direct costs for our operators based on methane emissions above set thresholds or require capital expenditure by our operators to reduce their emissions. In addition, substantial limitations on GHG emissions could adversely affect demand for the oil and gas produced from our properties. For a more detailed discussion of the risks associated with climate change legislation or regulation, see "Risk Factors—Risks Relating to Legal and Regulatory Matters—The adoption of climate change legislation or regulations restricting emissions of carbon dioxide, methane, and other greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas we produce."

In addition, spurred by increasing concerns regarding climate change, the oil and natural gas industry faces growing demand for corporate transparency and a demonstrated commitment to sustainability goals. The industry could also be impacted by governmental initiatives aimed at encouraging fuel conservation and a shift to alternative energy sources. For more information, see "Risk Factors—Risks Relating to our Business—Increased attention to ESG matters may impact our business" and "—Fuel conservation measures and related governmental initiatives, technological advances and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas."

Finally, climate changes may have significant physical effects, such as increased frequency and severity of storms, freezes, floods, drought, hurricanes and other climatic events; if any of these effects were to occur, they could have an adverse effect on the operations of our operating partners, and ultimately, our business.

#### **Human Capital Management**

As of May 31, 2022, we had 38 full time employees. We may hire additional personnel as appropriate. We also may use the services of independent consultants and contractors to perform various professional services. We are focused on attracting, engaging, developing, retaining and rewarding top talent. We strive to enhance the economic and social well-being of our employees and the communities in which we operate. We are committed to providing a welcoming, inclusive environment for our workforce, with excellent training and career development opportunities to enable employees to thrive and achieve their career goals.

#### **Office Locations**

Our principal executive offices are located at 9200 E Mineral Ave, Suite 200, Centennial, Colorado 80112. Our current office space consists of approximately 15,000 square feet of leased space. We believe our current office space is sufficient to meet our needs and that additional office space can be obtained if necessary.

**Legal Proceedings**

From time to time we are subject to legal, administrative and environmental proceedings before various courts, arbitration panels and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, additional environmental reviews and investigations, audits and pending judicial matters. Based on our current knowledge, we believe that the amount or range of reasonably possible losses will not, either individually or in the aggregate, materially adversely affect our business, financial condition and results of operations.

The results of any litigation cannot be predicted with certainty, and an unfavorable resolution in any legal proceedings could materially affect our business, financial condition and results of operations. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion of our results of operations and financial condition together with our Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements and the notes thereto included under the section entitled "Index to Financial Statements," as well as the discussion in the section entitled "Business." This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about the oil and natural gas industry and our business and financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements."*

**Executive Overview**

Our business strategy is focused on creating long-term stockholder value through the profitable acquisition, development and production of oil and natural gas assets at attractive rates of return, while maintaining a strong balance sheet and distributing a meaningful and growing dividend to our stockholders. We invest in non-operated minority working and mineral interests in oil and natural gas properties with our core area of focus in the Bakken and Three Forks formations of Williston Basin of North Dakota and Montana, with the majority of horizontal drilling activity occurring in Dunn, McKenzie, Mountrail, and Williams Counties, North Dakota. Approximately 75% of our 46,626 net acres as of May 31, 2022 was in the above counties of the Bakken and Three Forks formations and over 99% of our acreage in the Williston Basin was held by production. As of May 31, 2022, we had a working interest in 5,079 gross (129.8 net) productive wells and 312 gross (9.3 net) wells that were being drilled or completed, and an additional 415 gross (9.6 net) wells that had been permitted for development by our operators. Our estimated proved reserves in North Dakota and Montana as of November 30, 2021 were 39,609 MBoe (70% oil), which represented 93% of our total estimated proved reserves and contributed average production of 9,394 Boe per day during the month ended November 30, 2021. We also have interests in wells in the Denver-Julesburg Basin located in Colorado and Wyoming and the Powder River Basin located in Wyoming.

Our financial and operating performance for the six months ended May 31, 2022 included the following:

- Oil and natural gas sales of \$140.5 million for the six months ended May 31, 2022.
- Cash flows from operations of \$58.7 million for the six months ended May 31, 2022.
- Net loss of \$23.6 million for the six months ended May 31, 2022, which includes a non-cash unrealized loss on derivatives of \$43.4 million.
- Increased outstanding indebtedness from \$68.0 million at November 30, 2021 to \$84.0 million at May 31, 2022, primarily to fund \$18.1 million of acquisitions of working interests in wellbores that are expected to be completed in the next twelve months.
- Paid a monthly distribution of \$6.0 million to our equity holders, totaling \$36.0 million for the six months ended May 31, 2022.

Our financial and operating performance for the year ended November 30, 2021 included the following:

- Oil and natural gas sales of \$185.2 million for the year ended November 30, 2021.
- Cash flows from operations of \$87.0 million for the year ended November 30, 2021.
- Net income of \$18.1 million for the year ended November 30, 2021.
- Proved reserves of 42.5 MMMBoe at November 30, 2021, as estimated by our third-party reserve engineers using SEC guidelines.
- Reduced outstanding indebtedness from \$98.5 million at November 30, 2020 to \$68.0 million at November 30, 2021.
- Paid a monthly distribution of \$6.0 million to our equity holders in October and November of 2021.

### **Industry Trends Impacting Our Business**

Commodity prices are the most significant factor impacting our acquisition and divestiture strategy, as well as the decisions of our operators in conducting their operations. Prices for oil and natural gas can be highly volatile. For instance, the COVID-19 pandemic and efforts to mitigate the spread of the disease, combined with OPEC actions in early 2020, led to spot and future prices of crude oil and natural gas falling to historic lows during the second quarter of 2020 and remaining depressed through much of 2020. Our operators in the Williston Basin responded by significantly decreasing drilling and completion activity, and by shutting in or curtailing production from a significant number of producing wells. Commodity prices, however, quickly reached pre-pandemic levels in the second half of 2021, and during the first half of 2022 only further accelerated upward, in part as a result of the Russian invasion of Ukraine. The ongoing conflict between Russia and Ukraine may have further global economic consequences, including disruptions of the global energy markets and the amplification of inflation and supply chain constraints, partially due to sanctions by the European Union, the United Kingdom and the United States on imports of oil and gas from Russia.

As a result of such recent commodity price volatility, which we expect to continue throughout 2022, our earnings and operating cash flows can vary substantially, and are subject to external factors over which the company has no control. While we do hedge a substantial portion of our production, we are still significantly subject to movements in commodity prices. Such volatility can make it difficult to predict future effects on our company and the decisions of our operators. Factors that we expect will continue to impact commodity prices include product demand connected with global economic conditions, industry production and inventory levels, technology advancements, production quotas or other actions imposed by OPEC countries, actions of regulators, and regional supply interruptions or fears thereof that may be caused by military conflicts (including invasion), civil unrest, pandemic or political uncertainty. Any of the foregoing can have a substantial impact on the prices of oil and natural gas, which in turn impacts the decision of our operators to drill and extract resources. Despite such commodity price volatility, we expect that our cash flow from operations and borrowing availability under our Existing Revolving Credit Facility or New Revolving Credit Facility, as applicable, will allow us to meet our liquidity needs for the next twelve months.

### **Source of Our Revenues**

We derive our revenues from the sale of oil and natural gas produced from our properties. Revenues are a function of the volume produced, the prevailing market price at the time of sale, oil quality, Btu content and transportation costs to market. We use derivative instruments to hedge future sales prices on a substantial, but varying, portion of our oil production. We currently do not hedge natural gas production due to the mismatch between our operators' pricing formulas and settlement mechanics on natural gas hedges. We expect our derivative activities will help us achieve more predictable cash flows and reduce our exposure to downward price fluctuations. The use of derivative instruments has in the past, and may in the future, prevent us from realizing the full benefit of upward price movements but also mitigates the effects of declining price movements.

### **Principal Components of Our Cost Structure**

**Commodity price differentials.** The price differential between our well head price for oil and the WTI benchmark price is primarily driven by the cost to transport oil via train, pipeline or truck to refineries. The price differential between our well head price for natural gas and the NYMEX benchmark price is primarily driven by gathering, processing and transportation costs.

**Gain (loss) on commodity derivatives, net.** We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in the prices of oil and gas. Gain (loss) on commodity derivatives, net is comprised of (1) cash gains and losses we recognize on settled commodity derivatives during the period, and (2) non-cash mark-to-market gains and losses we incur on commodity derivative instruments outstanding at period-end.

**Production expenses.** Production expenses are daily costs incurred to bring oil and natural gas out of the ground and to the market, together with the daily costs incurred to maintain our producing properties. Such costs also include field personnel compensation, saltwater disposal, utilities, maintenance, repairs and servicing expenses related to our oil and natural gas properties.

**Production taxes.** Production taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at market prices (not hedged prices) or at fixed rates established by federal, state or local taxing authorities. We seek to take full advantage of all credits and exemptions in our various taxing jurisdictions. In general, the production taxes we pay correlate to the changes in oil and natural gas revenues.

**Depreciation, depletion, amortization and accretion.** Depreciation, depletion, amortization and accretion includes the systematic expensing of the capitalized costs incurred to acquire, explore and develop oil and natural gas properties. As a successful efforts company, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized. Accretion expense relates to the passage of time of our asset retirement obligations.

**General and administrative expenses.** General and administrative expenses include overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our acquisition and development operations, franchise taxes, audit and other professional fees and legal compliance.

**Interest expense.** We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings under our Existing Revolving Credit Facility. As a result, we incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. We do not capitalize any portion of the interest paid on applicable borrowings. We include the amortization of deferred financing costs, commitment fees and annual agency fees as interest expense.

**Impairment expense.** Under the successful efforts method of accounting, we review our oil and natural gas properties for impairment whenever events and circumstances indicate that a decline in the recoverability of their carrying value may have occurred. Whenever we conclude the carrying value may not be recoverable, we estimate the expected undiscounted future net cash flows of our oil and natural gas properties using proved and risked probable and possible reserves based on our development plans and best estimate of future production, commodity pricing, reserve risking, gathering, processing and transportation deductions, production tax rates, lease operating expenses and future development costs. We compare such undiscounted future net cash flows to the carrying amount of the oil and natural gas properties in each depletion pool to determine if the carrying amount is recoverable. If the undiscounted future net cash flows exceed the carrying amount of the aggregated oil and natural gas properties, no impairment is recorded. If the carrying amount of the oil and natural gas properties exceeds the undiscounted future net cash flows, we will record an impairment expense to reduce the carrying value to fair value as of the balance sheet date. The factors used to determine fair value may include, but are not limited to, recent sales prices of comparable properties, indications from marketing activities, the present value of future revenues, net of estimated operating and development costs using estimates of reserves, future commodity pricing, future production estimates, anticipated capital expenditures and various discount rates commensurate with the risk and current market conditions associated with realizing the projected cash flows.

**Income tax expense.** Vitesse Energy is a limited liability company. Accordingly, no provision for income taxes has been recorded, as the income, deductions, expenses, and credits of Vitesse Energy are reported on the income tax returns of Vitesse Energy's members.

#### **Selected Factors That Affect Our Operating Results**

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

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

In addition to the factors that affect companies in our industry generally, the location of substantially all of our acreage and wells in the Williston, Denver-Julesburg and Powder River Basins subjects our operating results to

factors specific to these regions. These factors include the potential adverse impact of weather on drilling, production and transportation activities, particularly during the winter and spring months, as well as infrastructure limitations, transportation capacity, regulatory matters and other factors that may specifically affect one or more of these regions.

The price of oil can vary depending on the market in which it is sold and the means of transportation used to transport the oil to market, particularly in the Williston Basin where a substantial majority of our revenues are derived. Additional pipeline infrastructure has increased takeaway capacity in the Williston Basin which has improved wellhead values in the region.

The price at which our oil production is sold typically reflects a discount to the NYMEX benchmark price. The price at which our natural gas production is sold may reflect either a discount or premium to the NYMEX benchmark price. Thus, our operating results are also affected by changes in the oil price differentials between the applicable benchmark and the sales prices we receive for our oil production. Our oil price differential to the NYMEX benchmark price during 2021 was \$3.58 per barrel, as compared to \$5.88 per barrel in 2020. Our net realized gas price during 2021 was \$4.72 per Mcf, representing 129% realization relative to average Henry Hub pricing, compared to a net realized gas price of \$1.01 per Mcf during 2020, representing a 50% realization relative to average Henry Hub pricing. Fluctuations in our price differentials and realizations are due to several factors such as gathering, processing and transportation costs, takeaway capacity relative to production levels, regional storage capacity, and seasonal refinery maintenance temporarily depressing demand.

Another significant factor affecting our operating results is drilling costs. The cost of drilling wells can vary significantly, driven in part by volatility in commodity prices that can substantially impact the level of drilling activity. Generally, higher oil prices have led to increased drilling activity, with the increased demand for drilling and completion services driving these costs higher. Lower oil prices have generally had the opposite effect. In addition, individual components of the cost can vary depending on numerous factors such as the length of the horizontal lateral, the number of fracture stimulation stages, and the type and amount of proppant. During 2021, the average authorization for expenditure cost for wells we elected to participate in was \$7.0 million, compared to \$7.3 million for the wells we elected to participate in during 2020.

### Market Conditions

The price that we receive for the oil and natural gas we produce is largely a function of market supply and demand. Because our oil and gas revenues are heavily weighted toward oil, we are more significantly impacted by changes in oil prices than by changes in the price of natural gas. World-wide supply in terms of output, especially production from properties within the United States, the production quota set by OPEC, the war between Russia and Ukraine and the strength of the U.S. dollar can adversely impact oil prices.

Historically, commodity prices have been volatile and we expect the volatility to continue in the future. Factors impacting the future oil supply balance are world-wide demand for oil, as well as the growth in domestic oil production.

Prices for various quantities of oil, natural gas and NGLs that we produce significantly impact our revenues and cash flows. The following table lists average NYMEX prices for oil and natural gas for the years ended November 30, 2021, 2020 and 2019.

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Average NYMEX Prices <sup>(1)</sup>	YEAR ENDED NOVEMBER 30,		
	2021	2020	2019
Oil (per Bbl)	\$ 65.97	\$ 40.20	\$ 56.20
Natural Gas (per Mcf)	3.79	2.00	2.70

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<sup>(1)</sup> Based on average NYMEX closing prices.

The average 2021 NYMEX oil price was \$65.97 per barrel or 64% higher than the average NYMEX price per barrel in 2020. Our settled derivatives decreased our realized oil price per barrel by \$5.37 in 2021 and increased our realized oil price per barrel by \$10.45 in 2020. Our average 2021 realized oil price per barrel after reflecting settled

derivatives was \$56.97 compared to \$45.67 in 2020. The average 2021 NYMEX natural gas price was \$3.79 per Mcf, or 90% higher than the average NYMEX price per Mcf in 2020. Our settled derivatives decreased our realized natural gas price per Mcf by \$0.12 in 2021 with no natural gas hedges in place in 2020. Our 2021 realized gas price per Mcf after reflecting settled derivatives was \$4.60 compared to \$1.01 in 2020, which was primarily driven by higher NYMEX pricing for natural gas and gas realizations, which was partially offset by a decrease in settled derivatives.

We employ a hedging program that mitigates the risk associated with fluctuations in commodity prices. For detailed information on our commodity hedging program, see “—Quantitative and Qualitative Disclosures about Market Risk” and Note 6 (“Derivative Instruments”) to the Audited Consolidated Financial Statements and Note 6 (“Derivative Instruments”) to the Unaudited Condensed Consolidated Financial Statements set forth in the section entitled “Index to Financial Statements.”

## Results of Operations

### Six Months Ended May 31, 2022 Compared with Six Months Ended May 31, 2021

The following table sets forth selected operating data for the periods indicated.

	SIX MONTHS ENDED MAY 31		INCREASE (DECREASE)	
	2022	2021	AMOUNT	PERCENT
<i>(\$ in thousands, except per unit data)</i>				
<b>Operating Results:</b>				
<b>Revenue</b>				
Oil	\$111,524	\$ 65,927	\$ 45,597	69%
Natural gas	29,016	9,582	19,434	203%
Total revenue	<u>\$140,540</u>	<u>\$ 75,509</u>	<u>\$ 65,031</u>	<u>86%</u>
<b>Operating Expenses</b>				
Production	\$ 22,234	\$ 21,280	\$ 954	4%
Production taxes	10,732	6,170	4,562	74%
General and administrative	6,526	5,075	1,451	29%
Depletion, depreciation, amortization, and accretion	29,262	30,535	(1,273)	(4)%
Unit-based compensation	24,868	887	23,981	2,704%
<b>Interest Expense</b>	\$ 1,624	\$ 1,755	\$ (131)	(7)%
<b>Commodity Derivative Gain (Loss)</b>	\$ (68,902)	\$ (27,469)	\$ (41,433)	151%
<b>Production Data:</b>				
Oil (MBbls)	1,202	1,221	(19)	(2)%
Natural gas (MMcf)	3,348	3,391	(43)	(1)%
Combined volumes (MBoe)	1,760	1,786	(26)	(1)%
Daily combined volumes (Boe/d)	9,672	9,813	(141)	(1)%
<b>Average Realized Prices before Hedging:</b>				
Oil (per Bbl)	\$ 92.75	\$ 54.00	\$ 38.75	72%
Natural gas (per Mcf)	8.67	2.83	5.84	207%
Combined (per Boe)	79.84	42.28	37.56	89%
<b>Average Realized Prices with Hedging:</b>				
Oil (per Bbl)	\$ 72.02	\$ 52.69	\$ 19.33	37%
Natural gas (per Mcf)	8.50	2.83	5.67	201%
Combined (per Boe)	65.35	41.38	23.97	58%
<b>Average Costs (per Boe):</b>				
Production	\$ 12.63	\$ 11.91	\$ 0.72	6%
Production taxes	6.10	3.45	2.64	76%
General and administrative	3.71	2.84	0.87	30%
Depletion, depreciation, amortization, and accretion	16.62	17.10	(0.47)	(3)%

**Oil and Natural Gas Revenue and Volumes .** Oil and natural gas revenue increased to \$140.5 million for the six months ended May 31, 2022 from \$75.5 million for the six months ended May 31, 2021. The increase in oil and natural gas revenue was due to an 89% increase in the average realized prices per Boe before hedging, slightly offset by a 1% decrease in production volumes. The increase in average realized prices per Boe before hedging increased oil and natural gas revenue by approximately \$67.1 million, while the decrease in production volumes decreased oil and natural gas revenue by approximately \$2.1 million.

Our oil price differential to the WTI benchmark price for the six months ended May 31, 2022 was \$1.63 per barrel, as compared to \$3.98 per barrel for the six months ended May 31, 2021. Our net realized gas price for the six months ended May 31, 2022 was \$8.67 per Mcf, representing a 161% realization relative to average NYMEX pricing, compared to a net realized gas price of \$2.83 per Mcf during the six months ended May 31, 2021, representing a 102% realization relative to average NYMEX pricing. Fluctuations in our price differentials and realizations are due to several factors such as NGL value net of processing costs, gathering and transportation fees, takeaway capacity relative to production levels, regional storage capacity, and seasonal refinery maintenance temporarily depressing demand. The exact impact of each of these items is difficult to quantify as each of our operators pass through these costs in a different manner. Some operators may deduct these costs directly from our revenues, while other operators may invoice them to us as lease operating expenses.

**Production Expense.** Production expense generally includes lease operating, transportation and gathering expenses related to the operations of wells and are comprised of fixed, variable and semi-variable costs. Each operating partner reports these costs to us differently. Some operators may deduct these costs directly from our revenues, while other operators may invoice them to us as lease operating expenses. Production expense increased to \$12.63 per Boe for the six months ended May 31, 2022 from \$11.91 per Boe for the six months ended May 31, 2021. The increase per Boe for the six months ended May 31, 2022 compared with the six months ended May 31, 2021 was primarily related to higher expense related to workovers and lease maintenance costs related to a severe late winter snow storm that occurred in April 2022 and higher oil and natural gas prices driving up field labor and maintenance costs.

**Production Tax Expense.** Total production taxes increased to \$10.7 million for the six months ended May 31, 2022 from \$6.2 million for the six months ended May 31, 2021. Production taxes are primarily based on oil revenue and gas production excluding gains and losses associated with hedging activities. Production taxes as a percentage of oil and natural gas sales before hedging adjustments were 7.6% and 8.2% for the six months ended May 31, 2022 and 2021, respectively. The decrease in the production tax rate for the six months ended May 31, 2022 was due to a larger percentage of our revenue during the period coming from natural gas sales, which are taxed at a lower rate than oil sales in North Dakota.

**General and Administrative Expense.** General and administrative expense increased to \$6.5 million for the six months ended May 31, 2022 from \$5.1 million for the six months ended May 31, 2021. General and administrative expense on a per Boe basis increased to \$3.71 for the six months ended May 31, 2022 from \$2.84 for the six months ended May 31, 2021. We incurred approximately \$0.9 million (\$0.49 per Boe) of non-recurring costs related to becoming a public entity during the six months ended May 31, 2022. The additional increase in general and administrative expense was due to increased employee costs and legal fees related to litigation against one of our operators for withholding excessive deductions against our revenues.

**Depreciation, Depletion and Amortization (“DD&A”).** DD&A decreased slightly to \$29.3 million for the six months ended May 31, 2022 compared with \$30.5 million for the six months ended May 31, 2021. The decrease of \$1.2 million was the result of a 1% decrease in production and a 3% decrease in the DD&A rate for the six months ended May 31, 2022 compared with the six months ended May 31, 2021. The decrease in production accounted for a \$0.4 million decrease in DD&A expense while the decrease in the DD&A rate accounted for a \$0.8 million decrease in DD&A expense.

Under successful efforts accounting, depletion expense is calculated using the units-of-production method on the basis of some reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field. The capital expenditures for proved properties for each field compared to the proved reserves corresponding to each producing field determine a depletion rate for current production. For the six

months ended May 31, 2022, the relationship of capital expenditures, proved reserves and production from certain producing fields yielded a depletion rate of \$16.62 per Boe compared with \$17.10 per Boe for the six months ended May 31, 2021. The slight decrease in the depletion rate of 3% was the result of year end 2021 reserve adjustments.

**Unit-based Compensation.** Unit-based compensation expense is recorded for in-substance call options granted to the founding members of management which are classified as liabilities and recorded at estimated fair value at each period end. Unit-based compensation expense is also recognized for management incentive units granted to other employees which are classified as liabilities until the holder has borne the risk of unit ownership. Unit-based compensation expense is recorded as these units vest and expense or contra-expense is recognized as the estimated fair value of the liability changes with market conditions. Unit-based compensation expense increased to \$24.9 million for the six months ended May 31, 2022 from \$0.9 million for the six months ended May 31, 2021 primarily due to increased oil and gas prices causing the estimated fair value of the liabilities to increase.

**Interest Expense.** Interest expense decreased slightly to \$1.6 million for the six months ended May 31, 2022 from \$1.7 million for the six months ended May 31, 2021. The slight decrease for the six months ended May 31, 2022 was due to a lower average outstanding debt balance on our Existing Revolving Credit Facility for the six month period ended May 31, 2022 as compared to the six month period ended May 31, 2021.

**Commodity Derivative Gain (Loss).** Commodity derivative loss was \$68.9 million for the six months ended May 31, 2022 compared with a loss of \$27.5 million for the six months ended May 31, 2021. Gain (loss) on commodity derivatives is comprised of (1) cash gains and losses we recognize on settled commodity derivative instruments during the period, and (2) unsettled gains and losses we incur on commodity derivative instruments outstanding at period-end. The increase in the commodity derivative loss of \$41.4 million was primarily attributable to an increase in the average WTI oil price to \$94.38 for the six months ended May 31, 2022 compared to \$57.99 for the six months ended May 31, 2021.

The mark-to-market fair value of the unsettled commodity derivative instruments will generally be inversely related to the price movement of the underlying commodity. If commodity price trends reverse from period to period, prior unrealized gains may become unrealized losses and vice versa. These unrealized gains and losses will impact our net income in the period reported. The mark-to-market fair value can create non-cash volatility in our reported earnings during periods of commodity price volatility. We have experienced such volatility in the past and are likely to experience it in the future. Gains on our derivatives generally indicate lower oil revenues in the future, while losses indicate higher future oil revenues.

The table below summarizes our commodity derivative gains and losses that were recorded in the periods presented:

	SIX MONTHS ENDED	
	MAY 31,	
	2022	2021
	(in thousands)	
Realized gain (loss) on commodity derivatives <sup>(1)</sup>	\$(25,499)	\$ (1,605)
Unrealized gain (loss) on commodity derivatives <sup>(1)</sup>	(43,403)	(25,865)
Total commodity derivative gain (loss)	<u>\$(68,902)</u>	<u>\$ (27,469)</u>

<sup>(1)</sup> Realized and unrealized gains and losses on commodity derivatives are presented herein as separate line items but are combined for a total commodity derivative gain (loss) in the condensed consolidated statements of operations included in this Information Statement. Management believes the separate presentation of the realized and unrealized commodity derivative gains and losses is useful because the realized cash settlement portion provides a better understanding of our hedge position.

For the six months ended May 31, 2022, approximately 61% of our oil volumes and 18% of our natural gas volumes were subject to financial hedges, which resulted in a realized loss on oil derivatives of \$24.9 million and a realized loss on natural gas derivatives of \$0.6 million after settlements. For the six months ended May 31, 2021, approximately 50% of our oil volumes and none of our natural gas volumes were covered by financial hedges, which resulted in a realized loss on oil derivatives of \$1.6 million after settlements.

**Year Ended November 30, 2021 Compared with Year Ended November 30, 2020**

The following table sets forth selected operating data for the periods indicated.

	YEAR ENDED NOVEMBER 30,		INCREASE (DECREASE)	
	2021	2020	AMOUNT	PERCENT
<i>(\$ in thousands, except per unit data)</i>				
<b>Operating Results:</b>				
<b>Revenue</b>				
Oil	\$151,838	\$91,542	\$ 60,296	66%
Natural gas	33,340	5,688	27,652	486%
Total revenue	<u>\$185,178</u>	<u>\$97,230</u>	<u>\$ 87,948</u>	<u>90%</u>
<b>Operating Expenses</b>				
Production	\$ 43,910	\$41,731	\$ 2,179	5%
Production taxes	14,535	9,173	5,362	58%
General and administrative	10,581	9,196	1,385	15%
Depletion, depreciation, amortization, and accretion	60,846	58,307	2,539	4%
Impairment of proved oil and gas properties	—	13,200	(13,200)	*nm
Unit-based compensation	1,409	(544)	1,953	*nm
<b>Interest Expense</b>	\$ 3,207	\$ 4,679	\$ (1,472)	(31)%
<b>Commodity Derivative Gain (Loss)</b>	\$(32,590)	\$29,633	\$(62,223)	(210)%
<b>Production Data:</b>				
Oil (MBbls)	2,436	2,599	(163)	(6)%
Natural gas (MMcf)	7,065	5,609	1,456	26%
Combined volumes (MBoe)	3,613	3,534	79	2%
Daily combined volumes (Boe/d)	9,899	9,655	244	3%
<b>Average Realized Prices before Hedging:</b>				
Oil (per Bbl)	\$ 62.34	\$ 35.22	\$ 27.12	77%
Natural gas (per Mcf)	4.72	1.01	3.71	367%
Combined (per Boe)	51.25	27.51	23.74	86%
<b>Average Realized Prices with Hedging:</b>				
Oil (per Bbl)	\$ 56.97	\$ 45.67	\$ 11.30	25%
Natural gas (per Mcf)	4.60	1.01	3.59	355%
Combined (per Boe)	47.40	35.20	12.20	35%
<b>Average Costs (per Boe):</b>				
Production	\$ 12.15	\$ 11.81	\$ 0.34	3%
Production taxes	4.02	2.60	1.42	55%
General and administrative	2.93	2.60	0.33	13%
Depletion, depreciation, amortization, and accretion	16.84	16.50	0.34	2%

\* Not meaningful

**Oil and Natural Gas Revenue and Volumes.** Oil and natural gas revenue increased to \$185.2 million for the year ended November 30, 2021 from \$97.2 million for the year ended November 30, 2020. The increase in oil and natural gas revenue was due to an 86% increase in the average realized prices per Boe before hedging, along with a 2% increase in production volumes for the year ended November 30, 2021. The increase in average realized prices per Boe before hedging increased oil and natural gas revenue by approximately \$83.9 million, while the increase in production volumes increased oil and natural gas revenue by approximately \$4.0 million.

Our oil price differential to the WTI benchmark price during the year ended November 30, 2021 was \$3.58 per barrel, as compared to \$5.88 per barrel during the year ended November 30, 2020. Our net realized natural gas price during the year ended November 30, 2021 was \$4.72 per Mcf, representing a 129% realization relative to average NYMEX pricing, compared to a net realized natural gas price of \$1.01 per Mcf during the year ended November 30, 2020, representing a 50% realization relative to average NYMEX pricing. Fluctuations in our price



differentials and realizations are due to several factors such as NGL value net of processing costs, gathering and transportation fees, takeaway capacity relative to production levels, regional storage capacity, and seasonal refinery maintenance temporarily depressing demand. The exact impact of each of these items is difficult to quantify as each of our operators pass through these costs in a different manner. Some operators may deduct these costs directly from our revenues while other operators may invoice them directly to us as lease operating expenses.

**Production Expense.** Production expense increased to \$12.15 per Boe for the year ended November 30, 2021 from \$11.81 per Boe for the year ended November 30, 2020. The slight increase per Boe for the year ended November 30, 2021 compared with the year ended November 30, 2020 was primarily related to higher expense related to workovers and higher costs related to added natural gas gathering and processing infrastructure due to increased regulation regarding capturing natural gas.

**Production Tax Expense.** Total production taxes increased to \$14.5 million for the year ended November 30, 2021 from \$9.2 million for the year ended November 30, 2020. Production taxes are primarily based on oil revenue and gas production, excluding gains and losses associated with hedging activities. Production taxes as a percentage of oil and natural gas sales before hedging adjustments were 7.9% and 9.4% for the years ended November 30, 2021 and 2020, respectively. The decrease in the production tax rate for the year ended November 30, 2021 was due to a larger percentage of our revenue during that period coming from natural gas sales, which are taxed at a lower rate than oil sales in North Dakota.

**General and Administrative Expense.** General and administrative expense increased to \$10.6 million for the year ended November 30, 2021 from \$9.2 million for the year ended November 30, 2020. General and administrative expense on a per Boe basis increased slightly to \$2.93 for the year ended November 30, 2021 from \$2.60 for the year ended November 30, 2020. The increase in general and administrative expense on a per Boe basis was primarily related to employee costs, legal fees related to our litigation against one of our operators for withholding excessive deductions against our revenues and costs related to becoming a public entity.

**DD&A.** DD&A increased to \$60.8 million for the year ended November 30, 2021 compared with \$58.3 million for the year ended November 30, 2020. The increase of \$2.5 million was the result of a 2% increase in production and a 2% increase in the DD&A rate for the year ended November 30, 2021 compared with the year ended November 30, 2020. The increase in production accounted for a \$1.3 million increase in DD&A expense while the increase in the DD&A rate accounted for a \$1.2 million increase in DD&A expense.

For the year ended November 30, 2021, the relationship of capital expenditures, proved reserves and production from certain producing fields yielded a depletion rate of \$16.84 per Boe compared with \$16.50 per Boe for the year ended November 30, 2020. The slight increase in the depletion rate of 2% was the result of end-of-period undeveloped reserve adjustments for the year ended November 30, 2021.

**Unit-based Compensation.** Unit-based compensation expense is recorded for in-substance call options granted to the founding members of management which are classified as liabilities and recorded at estimated fair value at each period end. Unit-based compensation expense is also recognized for management incentive units granted to other employees which are classified as liabilities until the holder has borne the risk of unit ownership. Unit-based compensation expense is recorded as these units vest and expense or contra-expense is recognized as the estimated fair value of the liability changes with market conditions. Unit-based compensation expense increased to \$1.4 million for the year ended November 30, 2021 from negative \$0.5 million for the year ended November 30, 2020 primarily due to increased oil and gas prices causing the estimated fair value of the liabilities to increase.

**Interest Expense.** Interest expense decreased to \$3.2 million for the year ended November 30, 2021 from \$4.7 million for the year ended November 30, 2020. The decrease for the year ended November 30, 2021 was due to a lower balance on our Existing Revolving Credit Facility as we reduced the outstanding debt balance from \$98.5 million at November 30, 2020 to \$68.0 million at November 30, 2021.

**Commodity Derivative Gain (Loss).** Commodity derivative loss was \$32.6 million for the year ended November 30, 2021 compared with a gain of \$29.6 million for the year ended November 30, 2020. Gain (Loss) on Commodity Derivatives is comprised of (1) cash gains and losses we recognize on settled commodity derivative instruments during the period, and (2) unsettled gains and losses we incur on commodity derivative instruments outstanding at period-end.

The mark-to-market fair value of the unsettled commodity derivative instruments will generally be inversely related to the price movement of the underlying commodity. If commodity price trends reverse from period to period, prior unrealized gains may become unrealized losses and vice versa. These unrealized gains and losses will impact our net income in the period reported. The mark-to-market fair value can create non-cash volatility in our reported earnings during periods of commodity price volatility. We have experienced such volatility in the past and are likely to experience it in the future. Gains on our derivatives generally indicate lower oil revenues in the future while losses indicate higher future oil revenues.

The table below summarizes our commodity derivative gains and losses that were recorded in the periods presented.

	YEAR ENDED	
	NOVEMBER 30,	
	2021	2020
	(in thousands)	
Realized gain (loss) on commodity derivatives <sup>(1)</sup>	\$ (13,903)	\$ 27,160
Unrealized gain (loss) on commodity derivatives <sup>(1)</sup>	(18,687)	2,473
<b>Total commodity derivative gain (loss)</b>	<b><u>\$ (32,590)</u></b>	<b><u>\$ 29,633</u></b>

<sup>(1)</sup> Realized and unrealized gains and losses on commodity derivatives are presented herein as separate line items but are combined for a total commodity derivative gain (loss) in the consolidated statements of operations included in this Information Statement. Management believes the separate presentation of the realized and unrealized commodity derivative gains and losses is useful because the realized cash settlement portion provides a better understanding of our hedge position.

In 2021, approximately 46% of our oil volumes and 8% of our natural gas volumes were subject to financial hedges, which resulted in a realized loss on oil derivatives of \$13.1 million and a realized loss on natural gas derivatives of \$0.8 million after settlements. In 2020, approximately 65% of our oil volumes and 0% of our natural gas volumes were covered by financial hedges, which resulted in a realized gain on oil derivatives of \$27.2 million.

**Year Ended November 30, 2020 Compared with Year Ended November 30, 2019**

The following table sets forth selected operating data for the periods indicated.

	YEAR ENDED NOVEMBER 30,		INCREASE (DECREASE)	
	2020	2019	AMOUNT	PERCENT
<i>(\$ in thousands, except per unit data)</i>				
<b>Operating Results:</b>				
<b>Revenue</b>				
Oil	\$91,542	\$157,112	\$ (65,570)	(42)%
Natural gas	5,688	14,189	(8,501)	(60)%
Total revenue	<u>\$97,230</u>	<u>\$171,301</u>	<u>\$ (74,071)</u>	<u>(43)%</u>
<b>Operating Expenses</b>				
Production	\$41,731	\$ 42,875	\$ (1,144)	(3)%
Production taxes	9,173	15,572	(6,399)	(41)%
General and administrative	9,196	7,957	1,239	16%
Depletion, depreciation, amortization, and accretion	58,307	64,721	(6,414)	(10)%
Impairment of proved oil and gas properties	13,200	—	13,200	*nm
Unit-based compensation	(544)	3,295	(3,839)	(117)%
Interest Expense	\$ 4,679	\$ 4,825	\$ (146)	(3)%
Commodity Derivative Gain (Loss)	\$29,633	\$ 3,778	\$ 25,855	684%
<b>Production Data:</b>				
Oil (MBbls)	2,599	3,063	(464)	(15)%
Natural gas (MMcf)	5,609	5,105	504	10%
Combined volumes (MBoe)	3,534	3,914	(380)	(10)%
Daily combined volumes (Boe/d)	9,655	10,724	(1,069)	(10)%
<b>Average Realized Prices before Hedging:</b>				
Oil (per Bbl)	\$ 35.22	\$ 51.29	\$ (16.06)	(31)%
Natural gas (per Mcf)	1.01	2.78	(1.77)	(64)%
Combined (per Boe)	27.51	43.76	(16.25)	(37)%
<b>Average Realized Prices with Hedging:</b>				
Oil (per Bbl)	\$ 45.67	\$ 52.61	\$ (6.94)	(13)%
Natural gas (per Mcf)	1.01	2.78	(1.77)	(64)%
Combined (per Boe)	35.20	44.80	(9.60)	(21)%
<b>Average Costs (per Boe):</b>				
Production	\$ 11.81	\$ 10.95	\$ 0.86	8%
Production taxes	2.60	3.98	(1.38)	(35)%
General and administrative	2.60	2.03	0.57	28%
Depletion, depreciation, amortization, and accretion	16.50	16.53	(0.03)	(0)%

\* Not meaningful

**Oil and Natural Gas Revenue and Volumes.** Oil and natural gas revenue decreased to \$97.2 million for the year ended November 30, 2020 from \$171.3 million for the year ended November 30, 2019. The decrease in oil and natural gas revenue was due primarily to a 37% decrease in the average realized prices per Boe before hedging, along with a 10% decrease in production volumes. The decrease in average realized prices per Boe before hedging decreased oil and natural gas revenue by approximately \$63.6 million, while the decrease in volumes decreased oil and natural gas revenue by approximately \$10.5 million. The drop in realized prices before the effects of hedging as well as the drop in production were primarily related to the COVID-19 pandemic, as significantly lower demand for oil and gas resulted in lower oil and gas prices and the shut-in of production by many operators. In addition, new drilling and completions were dramatically reduced during the period, limiting production from new wells, which normally would increase production. The Williston Basin saw a reduction in the active drilling rig count from a pre-COVID-19 level of 55 active drilling rigs at November 30, 2019 to 14 active drilling rigs at November 30, 2020 based on reports issued by the North Dakota Oil and Gas Division of the North Dakota Industrial Commission.

Our oil price differential to the WTI benchmark price during year ended November 30, 2020 was \$5.88 per barrel, as compared to \$4.98 per barrel during year ended November 30, 2019. Our net realized natural gas price during 2020 was \$1.01 per Mcf, representing 50% realization relative to average NYMEX pricing, compared to a net realized natural gas price of \$2.78 per Mcf during year ended November 30, 2019, representing 103% realization relative to average NYMEX pricing. Fluctuations in our price differentials and realizations are due to several factors such as NGL value net of processing costs, gathering and transportation fees, takeaway capacity relative to production levels, regional storage capacity, and seasonal refinery maintenance temporarily depressing demand. The exact impact of each of these items is difficult to quantify as each of our operators pass through these costs in a different manner. Some operators may deduct these costs directly from our revenues while other operators may invoice them to us as lease operating expenses.

**Production Expense.** Production expense increased to \$11.81 per Boe for the year ended November 30, 2020 from \$10.95 per Boe for the year ended November 30, 2019. The increase per Boe for the year ended November 30, 2020 compared with the year ended November 30, 2019 was related to fixed production costs being spread over lower volumes as wells were constrained or shut in due to the COVID-19 pandemic and higher costs related to added natural gas gathering and processing infrastructure due to increased regulation regarding capturing natural gas.

**Production Tax Expense.** Total production taxes decreased to \$9.2 million for the year ended November 30, 2020 from \$15.6 million for the year ended November 30, 2019. Production taxes are primarily based on oil revenue and gas production excluding gains and losses associated with hedging activities. The 41% drop in production taxes aligns with a drop in production revenues of 43% during the year ended November 30, 2020, while the production tax rate as a percentage of oil and natural gas sales before hedging adjustments remained consistent at 9.4% and 9.1% for the years ended November 30, 2020 and 2019, respectively.

**General and Administrative Expense.** General and administrative expense increased to \$9.2 million for the year ended November 30, 2020 from \$8.0 million for the year ended November 30, 2019. General and administrative expense on a per Boe basis increased to \$2.60 for the year ended November 30, 2020 from \$2.03 for the year ended November 30, 2019. The increase was related to employee costs while the per Boe rate increase was related to fixed costs being spread over lower volumes.

**DD&A.** DD&A decreased to \$58.3 million for the year ended November 30, 2020 compared with \$64.7 million for the year ended November 30, 2019. The decrease for the year ended November 30, 2020 of \$6.4 million was the result of a 10% decrease in production, which accounted for a \$6.3 million decrease in DD&A expense, and a minimal decrease in the DD&A rate, which accounted for a \$0.1 million decrease in DD&A expense, compared with the year ended November 30, 2019.

For the year ended November 30, 2020, the relationship of capital expenditures, proved reserves and production from certain producing fields yielded a depletion rate of \$16.50 per Boe compared with \$16.53 per Boe for the year ended November 30, 2019. The slight decrease in the depletion rate of 0.2% was the result of end-of-period reserve adjustments for the year ended November 30, 2020.

**Unit-based Compensation.** Unit-based compensation expense is recorded for in-substance call options granted to the founding members of management which are classified as liabilities and recorded at estimated fair value at each period end. Unit-based compensation expense is also recognized for management incentive units granted to other employees which are classified as liabilities until the holder has borne the risk of unit ownership. Unit-based compensation expense is recorded as these units vest and expense or contra-expense is recognized as the estimated fair value of the liability changes with market conditions. Unit-based compensation expense decreased to negative \$0.5 million for the year ended November 30, 2020 from \$3.3 million for the year ended November 30, 2019 primarily due to lower oil and gas prices causing the estimated fair value of the liabilities to decrease.

**Interest Expense.** Interest expense decreased to \$4.7 million for the year ended November 30, 2020 from \$4.8 million for the year ended November 30, 2019. The slight decrease for the year ended November 30, 2020 was due to a lower balance on our Existing Revolving Credit Facility as we reduced the outstanding debt balance from \$104.0 million as of November 30, 2019 to \$98.5 million as of November 30, 2020.

**Commodity Derivative Gain (Loss).** Commodity derivative gain was \$29.6 million for the year ended November 30, 2020 compared with a gain of \$3.8 million for the year ended November 30, 2019. Gain (Loss) on Commodity Derivatives is comprised of (1) cash gains and losses we recognize on settled commodity derivative instruments during the period, and (2) unsettled gains and losses we incur on commodity derivative instruments outstanding at period-end.

If commodity price trends reverse from period to period, prior unrealized gains may become unrealized losses and vice versa. These unrealized gains and losses will impact our net income in the period reported. The mark-to-market fair value can create non-cash volatility in our reported earnings during periods of commodity price volatility. We have experienced such volatility in the past and are likely to experience it in the future. Gains on our derivatives generally indicate lower oil revenues in the future while losses indicate higher future oil revenues.

The table below summarizes our commodity derivative gains and losses that were recorded in the periods presented.

	YEAR ENDED NOVEMBER 30,	
	2020	2019
	(in thousands)	
Realized gain (loss) on commodity derivatives <sup>(1)</sup>	\$ 27,160	\$ 4,058
Unrealized gain (loss) on commodity derivatives <sup>(1)</sup>	2,473	(280)
Total commodity derivative gain (loss)	<u>\$ 29,633</u>	<u>\$ 3,778</u>

<sup>(1)</sup> Realized and unrealized gains and losses on commodity derivatives are presented herein as separate line items but are combined for a total commodity derivative gain (loss) in the consolidated statements of operations included in this Information Statement. Management believes the separate presentation of the realized and unrealized commodity derivative gains and losses is useful because the realized cash settlement portion provides a better understanding of our hedge position.

In 2020, approximately 65% of our oil volumes and none of our natural gas volumes were subject to financial hedges, which resulted in a realized gain on oil derivatives of \$27.2 million. In 2019, approximately 36% of our oil volumes and none of our natural gas volumes were covered by financial hedges, which resulted in a realized gain on oil derivatives of \$4.1 million.

#### Liquidity and Capital Resources

*Overview.* At May 31, 2022, we had \$1.8 million of unrestricted cash on hand and \$84.0 million of long-term debt. At November 30, 2021, we had \$2.8 million of unrestricted cash on hand and \$68.0 million of long-term debt, while at November 30, 2020, we had \$1.7 million of unrestricted cash on hand and \$98.5 million of long-term debt and at November 30, 2019, we had \$1.8 million of unrestricted cash on hand and \$104.0 million of long-term debt. We expect that our liquidity going forward will be primarily derived from cash flows from our operations, cash on hand and availability under the Existing Revolving Credit Facility or the New Revolving Credit Facility, as applicable, and that these sources of liquidity will be sufficient to provide us the ability to fund our material cash requirements, as described below, including our planned capital expenditures program, as well as distributions to our equity holders. We may need to fund acquisitions or other business opportunities that support our strategy through additional borrowings under our Existing Revolving Credit Facility or New Revolving Credit Facility, as applicable, or the issuance of equity or debt. Our primary uses of capital have been for the acquisition and development of our oil and natural gas properties. We continually monitor potential capital sources for opportunities to enhance liquidity or otherwise improve our financial position.

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

At May 31, 2022, we had a working capital deficit of \$21.9 million as compared to a surplus of \$4.2 million at November 30, 2021. Current assets increased by \$16.7 million and current liabilities increased by \$42.8 million at May 31, 2022, compared to November 30, 2021. The increase in current assets in 2022 was due to an increase of

\$19.2 million in revenue receivable primarily due to our higher oil and natural gas revenue, which was partially offset by a decrease of \$1.5 million in our commodity derivative assets due to change in fair value resulting from an increase in oil prices and a \$1.0 million decrease in the cash balance. The change in current liabilities in 2022 was primarily due to an increase of \$10.0 million in accounts payable and accrued liabilities primarily as a result of increased development activity and an increase of \$32.9 million in derivative instruments as a result of future oil price increases.

At November 30, 2021, we had a working capital surplus of \$4.2 million, compared to a surplus of \$6.7 million at November 30, 2020. Current assets increased by \$7.3 million and current liabilities increased by \$9.8 million at November 30, 2021, compared to November 30, 2020. The increase in current assets in 2021 as compared to 2020 was primarily due to an increase of \$16.0 million in revenue receivable primarily due to our higher oil and natural gas revenue and an increased cash balance of \$1.1 million, which was partially offset by a decrease of \$7.7 million in our commodity derivative instruments due to the change in fair value as a result of higher oil prices and a \$2.0 million decline in prepaid expenses. The change in current liabilities in 2021 as compared to 2020 was primarily due to an increase of \$1.2 million in accounts payable and accrued liabilities primarily as a result of increased development activity and an increase of \$8.7 million in derivative instruments as a result of forward oil price increases.

**Cash Flows.** Our cash flows for the six months ended May 31, 2022 and the years ended November 30, 2021, 2020 and 2019 are presented below:

<i>(in thousands)</i>	SIX MONTHS ENDED MAY 31,		YEAR ENDED NOVEMBER 30,	
	2022	2021	2020	2019
Cash flows provided by operating activities	\$ 58,745	\$ 86,971	\$ 76,309	\$ 101,194
Cash flows used in investing activities	(38,011)	(43,317)	(70,808)	(104,367)
Cash flows used in financing activities	(21,782)	(42,587)	(5,528)	(41)
Net increase (decrease) in cash	\$ (1,048)	\$ 1,067	\$ (27)	\$ (3,214)

During the six months ended May 31, 2022, we generated \$58.7 million of cash from operations, a 72% increase from the same period in the prior year. During the year ended November 30, 2021, we generated \$87.0 million of cash from operating activities, an increase of \$10.7 million from the year ended November 30, 2020 but down from the year ended November 30, 2019 when we generated \$101.2 million of cash from operating activities. Cash flows from operations are primarily affected by production volumes and commodity prices, net of the effects of settlements of our derivative contracts, and by changes in working capital. Any interim cash needs are funded by cash on hand, cash flows from operations or borrowings under our Existing Revolving Credit Facility. We typically enter into commodity derivative transactions covering a substantial, but varying, portion of its anticipated future oil and gas production for the next 12 to 24 months. See “— Quantitative and Qualitative Disclosures about Market Risk.”

One of the primary sources of variability in our cash provided by operating activities is commodity price volatility, which we are required by certain debt covenants to partially mitigate through the use of commodity derivative contracts. As of May 31, 2022, we had oil swaps covering the sale of approximately 48% of projected oil production at a weighted average price of \$59.94 per Bbl for the remainder of 2022 and oil swaps covering the sale of approximately 33% of projected oil production at a weighted average price of \$78.50 per Bbl for the fiscal year ending November 30, 2023. As of May 31, 2022, we had no natural gas derivative contracts. For more information on our outstanding derivatives, see Note 6 (“Derivative Instruments”) to the Audited Consolidated Financial Statements and Note 6 (“Derivative Instruments”) to the Unaudited Condensed Consolidated Financial Statements set forth in the section entitled “Index to Financial Statements.”

Cash used in investing activities during the six months ended May 31, 2022 was \$38.0 million. Cash used in investing activities during the year ended November 30, 2021 was \$43.3 million, compared to \$70.8 million during the year ended November 30, 2020 and \$104.4 million during the fiscal year ended November 30, 2019, and primarily related to capital expenditures for acquisition and development costs. The annual sequential decreases in

cash used in investing activities was primarily attributable to reduced development activity by our operators due to the COVID-19 pandemic, while increased activity during the six months ended May 31, 2022 represent a recovery from these same factors. Our cash used in investing activities reflects actual cash spending, which can lag several months from when the related costs were accrued. As a result, our actual cash spending is not always reflective of current levels of development activity. Acquisition and development activities are discretionary. We monitor our capital expenditures on a regular basis, adjusting the amount up or down, and between projects, depending on projected commodity prices, cash flows and financial returns. We supplement development activity on our asset base with acquisitions of near-term drilling opportunities when development activity by our operators on our existing properties lags behind our development objectives. Our cash spending for acquisition activities was \$6.2 million, \$9.2 million and \$5.1 million during the fiscal years ended November 30, 2021, 2020 and 2019, respectively, and \$18.1 million in the six months ended May 31, 2022.

Cash used in financing activities during the six months ended May 31, 2022 was \$21.8 million. Cash used in financing activities was \$42.6 million and \$5.5 million for the fiscal years ended November 30, 2021 and 2020, respectively. The cash used in financing activities in 2021 and 2020 was primarily related to \$30.5 million and \$5.5 million, respectively, of net repayments under our Existing Revolving Credit Facility. Additionally, we paid distributions to our equity holders of \$36 million during the six months ended May 31, 2022 and \$12.0 million during the year ended November 30, 2021.

*Existing Revolving Credit Facility.* In May 2015, Vitesse entered into a revolving credit facility with a syndicate of banks led by Wells Fargo Bank, N.A. (as Administrative Agent), which originally was scheduled to mature in May 2020. The Existing Revolving Credit Facility has been subsequently amended several times, and the maturity date has been extended to April 29, 2026. The Existing Revolving Credit Facility was most recently amended and restated in April 2022. The Existing Revolving Credit Facility permits borrowing on a revolving credit basis with availability equal to least of (1) the current aggregate elected commitments of \$170 million, (2) the current borrowing base of \$200 million and (3) the maximum credit amount of \$500 million. The aggregate elected commitments of the lenders under the Existing Revolving Credit Facility may be increased up to a maximum credit amount of \$500 million, subject to the satisfaction of certain customary conditions, including the willingness of the existing lenders to increase their commitments or of new lenders to provide additional commitments. The borrowing base under the Existing Revolving Credit Facility is subject to regular, semi-annual redeterminations on or about April 1 and October 1 of each year based on, among other things, the value of our proved oil and natural gas reserves, as determined by the lenders in their discretion. The borrowing base is subject to further adjustments for asset dispositions and liquidations of hedge agreements, among other things. As of May 31, 2022, under the Existing Revolving Credit Facility we had outstanding borrowings of \$84.0 million and available borrowing capacity of \$86.0 million. At our option, borrowings under the Existing Revolving Credit Facility bear interest at either an adjusted forward-looking term rate based on SOFR ("Term SOFR") or an adjusted base rate ("Base Rate") (the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% or the 30-day Term SOFR rate plus 1.0%), plus an applicable margin ranging from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to Term SOFR borrowings, in each case based on the percentage of the current commitments being utilized. The Existing Revolving Credit Facility is guaranteed by all of our subsidiaries and is collateralized by a first priority lien on substantially all assets of Vitesse Energy and its subsidiaries, including a first priority lien on properties representing a minimum of 85% of the proved reserve value of our oil and natural gas properties. See Note 5 ("Credit Facility") to the Audited Consolidated Financial Statements and Note 5 ("Credit Facility") to the Unaudited Condensed Consolidated Financial Statements set forth in the section entitled "Index to Financial Statements" for further details regarding the Existing Revolving Credit Facility.

*Material Cash Requirements.* Our material short-term cash requirements include payments under our short-term lease agreements, recurring payroll and benefits obligations for our employees, capital and operating expenditures and other working capital needs. As commodity prices improve, our working capital requirements may increase as we spend additional capital, increase production and pay larger settlements on our outstanding commodity derivative contracts.

Our long-term material cash requirements from currently known obligations include anticipated repayment of outstanding borrowings and interest payment obligations under our Existing Revolving Credit Facility, settlements on our outstanding commodity derivative contracts, future obligations to plug, abandon and remediate our oil and gas

properties at the end of their productive lives, and operating lease obligations. We cannot provide specific timing for repayments of outstanding borrowings on our Existing Revolving Credit Facility, or the associated interest payments, as the timing and amount of borrowings and repayments cannot be forecasted with certainty and are based on working capital requirements, commodity prices and acquisition and divestiture activity, among other factors. We cannot provide specific timing for other current and long-term liability obligations where we cannot forecast with certainty the amount and timing of such payments, including asset retirement obligations, as the plugging and abandonment of wells is at the discretion of the operators and any amounts we may be obligated to pay under our derivative contracts, as such payments are dependent on commodity prices in effect at the time of settlement. See Note 4 ("Fair Value Measurements") to the Audited Consolidated Financial Statements and Note 4 ("Fair Value Measurements") to the Unaudited Condensed Consolidated Financial Statements set forth in the section entitled "Index to Financial Statements" for further information on these contracts and their fair values as of November 30, 2021, which fair values represent the cash settlement amount required to terminate such instruments based on forward price curves for commodities as of that date.

*Distributions.* We paid cash distributions to our equity holders totaling \$25.0 million during the year ended November 30, 2019, \$12.0 million during the year ended November 30, 2021, and \$36.0 million during the six months ended May 31, 2022. While we believe that our future cash flows from operations can sustain the current level of distributions, future distributions may change based on a variety of factors, including contractual restrictions, legal limitations (the most common of which are limitations set forth in a company's organizational documents and insolvency), business developments and the judgment of our board of managers. Cash distributions to equity holders are subject to the terms of the Existing Revolving Credit Facility, pursuant to which we may make cash distributions to our equity holders, exclusive of debt outstanding, without limit if our utilization of available credit does not exceed 70%. If our credit utilization exceeds 70% of available credit, but does not exceed 80%, we may make cash distributions to our equity holders, exclusive of debt outstanding, provided cash distributions made over the previous twelve-month period are the less than Distributable Free Cash Flow (as defined in the Existing Revolving Credit Facility) over that same period. There can be no guarantee that we will make distributions or otherwise return capital to our investors in the future.

*Capital Expenditures.* For the year ending November 30, 2022, we are budgeting approximately \$70 million to \$80 million in total planned capital expenditures, including development expenditures and our acquisition activity. We expect to fund planned capital expenditures with cash generated from operations and, if required, borrowings under our Existing Revolving Credit Facility. The foregoing excludes larger acquisitions, which are typically not included in our annual capital expenditures budget. With our cash on hand, cash flow from operations, and borrowing capacity under our Existing Revolving Credit Facility, we believe that we will have sufficient cash flow and liquidity to fund our budgeted capital expenditures and operating expenses for at least the next twelve months. However, we may seek additional access to capital and liquidity. We cannot assure you, however, that any additional capital will be available to us on favorable terms or at all.

The amount, timing and allocation of capital expenditures are largely discretionary and subject to change based on a variety of factors. If oil and natural gas prices decline below our acceptable levels, or costs increase, we may choose to defer a portion of our budgeted capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected financial returns and potential to generate near-term cash flow. We may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We will carefully monitor and may adjust our projected capital expenditures in response to success or lack of success in drilling activities, changes in prices, availability of financing and joint venture opportunities, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, change in service costs, contractual obligations, internally generated cash flow and other factors both within and outside our control. For additional information on the impact of changing prices and market conditions on our financial position, see "—Quantitative and Qualitative Disclosures About Market Risk."

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



oil and natural gas production in the future. Also, our obligations may change due to acquisitions, divestitures and continued growth. Our future success in growing proved reserves and production may be dependent on our ability to access outside sources of capital. If internally generated cash flow and borrowing capacity is not available under our Existing Revolving Credit Facility, we may issue equity or debt securities to fund capital expenditures, acquisitions, extend maturities or to repay debt.

*Effects of Inflation and Pricing.* The oil and natural gas industry is very cyclical and the demand for goods and services of oil field companies, suppliers and others associated with the industry put extreme pressure on the economic stability and pricing structure within the industry. Higher prices for oil and natural gas could result in increases in the costs of materials, services and personnel, which we expect to occur in 2022 compared to 2021. Typically, as prices for oil and natural gas increase, so do all associated costs. Conversely, in a period of declining prices, associated cost declines are likely to lag and may not adjust downward in proportion. Material changes in prices also impact our current revenue stream, estimates of future reserves, borrowing base calculations of bank loans, impairment assessments of oil and natural gas properties, and values of properties in purchase and sale transactions. Such changes can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain personnel.

#### **Critical Accounting Policies and Estimates**

We prepare our financial statements and the accompanying notes in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions about future events that affect the reported amounts in the financial statements and the accompanying notes. We identify certain accounting policies and estimates as critical based on, among other things, their impact on our financial condition, results of operations, and the degree of difficulty, subjectivity and complexity in their application. Critical accounting policies and estimates cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. Management routinely discusses the development, selection and disclosure of each of the critical accounting policies and estimates. The following is a discussion of our most critical accounting policies and estimates.

#### ***Proved Oil and Natural Gas Reserves***

The determination of depreciation, depletion and amortization expense as well as impairments that may be recognized on our oil and natural gas properties are highly dependent on the estimates of the proved oil and natural gas reserves attributable to our properties. Our estimate of proved reserves is based on the quantities of oil and natural gas which geological and engineering data demonstrate, with reasonable certainty, to be recoverable in the future years from known reservoirs under existing economic and operating conditions. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation, and judgment. For example, we must estimate the amount and timing of future operating costs, production taxes and development costs, all of which may in fact vary considerably from actual results. In addition, as the prices of oil and natural gas and cost levels change from year to year, the economics of producing our reserves may change and therefore the estimate of proved reserves may also change. Approximately 35% of our proved oil and gas reserve volumes are categorized as proved undeveloped reserves. Any significant variance in these assumptions could materially affect the estimated quantity and value of our reserve, future cash flows from our reserves, and future development of our proved undeveloped reserves.

External petroleum engineers independently estimated all of the proved reserve quantities included in our financial statements for the year ended November 30, 2021, which were prepared in accordance with the rules promulgated by the SEC. In connection with our external petroleum engineers performing their independent reserve estimations, we furnish them with the following information: (1) technical support data, (2) technical analysis of geologic and engineering support information, (3) economic and production data and (4) our well ownership interests.

#### ***Oil and Natural Gas Properties***

We follow the successful efforts method of accounting for oil and gas activities. Under this method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvage values, using the units-of-production method on the basis of a reasonable aggregation of properties within a common geological structural feature or stratigraphic condition, such as a reservoir or field. Our proved oil and gas reserve information was computed by applying the average first-day-of-the-month oil and gas price during the 12-month period ended on the balance sheet date.

We review our oil and natural gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. If we determined an evaluation for impairment is required, we estimate the expected future cash flows of our oil and natural gas properties and compare such cash flows to the carrying amount of the proved oil and natural gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will adjust the carrying value of proved oil and natural gas properties to estimated fair value. The factors used to estimate fair value include estimates of reserves, future commodity prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks.

For the year ended November 30, 2021, we did not record any impairment expense. For the year ended November 30, 2020, we recorded a \$13.2 million of impairment expense. For the year ended November 30, 2019, we did not record any impairment expense.

#### ***Unit-based Compensation***

We account for management incentive units granted to employees (which excludes the founding members of management) as liability instruments under accounting guidance related to share-based compensation, whereby vested awards are recognized as liabilities, with changes in the estimated value of the awards recorded in earnings, until the holders have borne the risk of unit ownership, at which point the liability associated with the employee management incentive units is reclassified to temporary equity, and changes in the estimated value of the employee management incentive units are recorded as an adjustment to members' equity.

Incentive compensation is also recognized for in-substance call options granted to the founding members of management which are classified as liabilities, recorded at estimated fair market value at each period end. Changes in the estimated fair value are recorded in earnings. As we are a private entity whose units are not publicly traded, we consider the average volatility of comparable entities to develop an estimate of expected volatility for our awards of unit-based compensation which results in a reasonable estimate of fair value. Our fair value is determined utilizing a third-party valuation expert who considers our discounted estimated future cash flows, public trading comparables, and relevant precedent transactions, among other factors in determining our fair market value.

#### **Recently Issued or Adopted Accounting Pronouncements**

For discussion of recently issued or adopted accounting pronouncements, see Note 2 ("Significant Accounting Policies") to the Audited Consolidated Financial Statements and Note 2 ("Significant Accounting Policies") to the Unaudited Condensed Consolidated Financial Statements set forth in the section entitled "Index to Financial Statements."

#### **Off Balance Sheet Arrangements**

We currently do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

#### **Quantitative and Qualitative Disclosure about Market Risk**

##### ***Commodity Price Risk***

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

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

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

The following table summarizes our open crude oil swap contracts as of May 31, 2022, by fiscal quarter.

SETTLEMENT PERIOD	OIL (barrels)	WEIGHTED AVERAGE PRICE (\$)
<b>Swaps-Crude Oil</b>		
<b>2022:</b>		
Q3	345,000	\$ 59.30
Q4	345,000	\$ 59.30
<b>2023:</b>		
Q1	270,000	\$ 78.50
Q2	270,000	\$ 78.50
Q3	270,000	\$ 78.50
Q4	270,000	\$ 78.50
<b>2024:</b>		
Q1	180,000	\$ 75.97
Q2	180,000	\$ 75.97
Q3	180,000	\$ 75.97
Q4	180,000	\$ 75.97

See Note 4 ("Fair Value Measurements") and Note 6 ("Derivative Instruments") to the Audited Consolidated Financial Statements and Note 4 ("Fair Value Measurements") and Note 6 ("Derivative Instruments") to the

Unaudited Condensed Consolidated Financial Statements set forth in the section entitled "Index to Financial Statements" for further details regarding our commodity derivatives, including basis swap contracts for both crude oil and natural gas, which are not included in the foregoing tables.

***Interest Rate Risk***

Our long-term debt is composed of borrowings that contain floating interest rates. Our Existing Revolving Credit Facility interest rate is a floating rate option that is designated by us within the parameters established by the underlying agreement. At our option, borrowings under the Existing Revolving Credit Facility bear interest at either an adjusted forward-looking term rate based on SOFR ("Term SOFR") or an adjusted base rate ("Base Rate") (the highest of the administrative agent's prime rate, the Federal Funds Rate plus 0.50% or the 30-day Term SOFR rate plus 1.0%), plus a spread ranging from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to Term SOFR borrowings, in each case based on the borrowing base utilization percentage. All outstanding principal is due and payable upon termination of the Existing Revolving Credit Facility.

## MANAGEMENT

### Executive Officers Following the Spin-Off

The following table and accompanying narrative presents information, as of [ ], 2022, regarding the individuals who are expected to serve as executive officers of Vitesse following the completion of the Spin-Off, including a five-year employment history. We are in the process of identifying the other persons who are expected to serve as our executive officers following the completion of the Spin-Off and will include information concerning those persons in an amendment to this Information Statement. None of Vitesse's executive officers are currently executive officers or employees of Jefferies.

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NAME	AGE	POSITION WITH VITESSE
Bob Gerrity	70	Chief Executive Officer
Brian Cree	59	President and Chief Operating Officer
David Macosko	61	Chief Financial Officer
Gina Matero	54	General Counsel and Corporate Secretary

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*Bob Gerrity.* Mr. Gerrity was appointed the Chief Executive Officer of Vitesse in August 2022 and will continue in such position following the Spin-Off. Mr. Gerrity has decades of experience in the energy industry, beginning in Colorado in 1982. Mr. Gerrity invested his own capital in the beginning of what would become Vitesse and has personally participated in over 500 gross wells to date. Mr. Gerrity established and was Chief Executive Officer of Gerrity Oil & Gas Corporation, which was one of the most active operators in the country in the early 1990s. Gerrity Oil & Gas Corporation merged with Snyder Oil's Wattenberg assets in 1996 to form Patina Oil & Gas Corporation, which eventually merged into Noble Energy, Inc. Mr. Gerrity founded and has served as the Chief Executive Officer of Vitesse Energy since its inception in 2014, and also has served as the Chief Executive Officer of Vitesse Oil since 2013.

*Brian Cree.* Mr. Cree was appointed the President and Chief Operating Officer of Vitesse in August 2022 and will continue as President following the Spin-Off. Mr. Cree has worked in the oil and natural gas industry for over 25 years. In 1987, he joined the predecessor of Gerrity Oil & Gas Corporation and worked closely with Mr. Gerrity for almost nine years to grow and eventually merge Gerrity Oil & Gas Corporation with Patina Oil & Gas Corporation in 1996. While at Gerrity Oil & Gas Corporation, Mr. Cree held various financial and operational roles, including Chief Financial Officer, Senior Vice President of Operations and Chief Operating Officer, and served as a director on its board of directors. Mr. Cree served as Executive Vice President and Chief Operating Officer and as a director of Patina Oil & Gas Corporation from 1996 to 1999, following which time he spent close to ten years as the Chief Financial Officer and/or Chief Operating Officer at various companies focused on oil and gas software and the creation of a molecular memory technology and the use of biotechnology to create sustainable natural gas. Mr. Cree has served as the President of Vitesse Energy since 2014 and the Chief Operating Officer of Vitesse Energy since 2020, and also previously served as the Chief Financial Officer of Vitesse Energy from 2014 to 2020. In addition, Mr. Cree has served as the President of Vitesse Oil since 2013 and the Chief Operating Officer of Vitesse Oil since 2020, and also previously served as the Chief Financial Officer of Vitesse Oil from 2013 to 2020. Mr. Cree served as Vice Chairman of the Colorado Oil and Gas Conservation Commission, a position appointed by the Governor of Colorado, from 1999 through 2007. He received a B.A. in Accounting from the University of Northern Iowa.

*David Macosko.* Mr. Macosko was appointed the Chief Financial Officer of Vitesse in August 2022 and will continue in such position following the Spin-Off. Mr. Macosko served at HighPoint Resources Corporation (formally, Bill Barrett Corporation), a publicly traded oil and gas exploration and production company, in various roles, including as its Senior Vice President Accounting and Principal Accounting Officer, from 2010 to 2020. From 1990 to 2009, Mr. Macosko served in various business oriented and accounting capacities at senior levels with other publicly traded oil and gas companies, including Vice President of Business Operations at Gerrity Oil & Gas Corporation and Patina Oil & Gas Corporation. Mr. Macosko has served as the Chief Financial Officer of Vitesse Energy since 2020 and as the Chief Financial Officer of Vitesse Oil during the same period. Mr. Macosko received a B.S./B.A. in Accounting from West Virginia University.

*Gina Matero.* Ms. Matero was appointed the General Counsel and Corporate Secretary of Vitesse in August 2022 and will continue in such position following the Spin-Off. Ms. Matero was a shareholder and founding member as an associate at Beatty & Wozniak, P.C. from 2005 to 2020 and has been advising oil and gas companies for over 20 years. Ms. Matero began her career in the energy industry in 1997 with a natural gas midstream company in a management role prior to attending law school. Ms. Matero has served as the General Counsel of Vitesse Energy and Vitesse Oil since 2020. Ms. Matero earned a J.D., with honors, from the University of Denver and a B.S./B.A. in Economics and Finance from Regis University.

#### **Board of Directors Following the Spin-Off**

The following table and accompanying narrative presents information, as of [ ], 2022, regarding the individuals who are expected to serve on our Board upon the completion of the Spin-Off and until their respective successors are duly elected and qualified, including a five-year employment history and any directorships held by our directors in public companies.

<b>NAME</b>	<b>AGE</b>	<b>POSITION WITH VITESSE</b>
Linda Adamany	70	Director
Brian Friedman	66	Director
Bob Gerrity	70	Director and Chief Executive Officer
Daniel O'Leary	67	Director
Cathleen Osborn	69	Director
Randy Stein	69	Director
Joseph Steinberg	78	Director

*Linda Adamany.* Ms. Adamany will serve as a member of our Board upon the completion of the Spin-Off. Ms. Adamany has been a director on the Jefferies Board since 2014, a director of Jefferies Group LLC, Jefferies' largest subsidiary, since November 2018, and a director of Jefferies International Limited since March 2021. Ms. Adamany chairs the Risk and Liquidity Oversight Committee, and serves as a member of the Audit, Nominating and Corporate Governance, and ESG/DEI Committees of both boards and has been elected to become Chair of the Remuneration Committee of Jefferies International Limited. Ms. Adamany also has served as a director of Coeur Mining Inc. since March 2013 and is a member of its Environmental, Health, Safety and Social Responsibility Committee and Chair of its Audit Committee, and as a director of BlackRock Institutional Trust Company, N.A. since March 2018, where she is a member of its Audit and Risk Committees.

From October 2017 through April 2019, Ms. Adamany served as a director and member of both the Audit Committee and the Safety, Assurance and Business Ethics Committee of Wood plc, a global leader in the delivery of project, engineering and technical services to energy and industrial markets. Prior to that time, from October 2012 until October 2017, Ms. Adamany served as a member of the board of directors of AMEC Foster Wheeler plc, and chaired its Health, Safety, Environmental and Reputation Committee and served as a member of its Audit, Nominations and Governance and Compensation Committees. Ms. Adamany also served as a member of the board of directors of National Grid plc from October 2006 until October 2012. Ms. Adamany is a C.P.A. and holds a B.S. in Business Administration with a major in Accounting, *magna cum laude*, from John Carroll University.

We believe Ms. Adamany's experience serving on the boards of directors and committees of other public companies, including an ethics committee and audit committee as chair, as well as her compensation and corporate governance committees experience, provide her with the necessary experience, qualification and skills to serve as a director of Vitesse.

*Brian Friedman.* Mr. Friedman will serve as a member of our Board upon the completion of the Spin-Off. Mr. Friedman has served as a director and the President of Jefferies since March 2013, and as a director and executive officer of Jefferies Group LLC, Jefferies' largest subsidiary, since July 2005, as well as Chairman of the Executive Committee of Jefferies Group LLC since 2002. Since 1997, Mr. Friedman also has served as President of Jefferies Capital Partners (formerly, FS Private Investments), a private equity fund management company controlled by Mr. Friedman. Mr. Friedman was previously employed by Furman Selz LLC and its successors, including serving

as Head of Investment Banking and a member of its Management and Operating Committees. Prior to his 17 years with Furman Selz LLC and its successors, Mr. Friedman was an attorney with Wachtell, Lipton, Rosen & Katz.

Mr. Friedman has previously served on a number of boards of private and public portfolio companies and was on the board of Fiesta Restaurant Group from 2012 through April 2021 and as a board member of HomeFed Corporation from 2014 to July 2019.

Mr. Friedman is also engaged in a range of philanthropic efforts personally and through his family foundation and serves as the Co-Chairman of the board of Strive International, a workforce training effort, and Vice President of the HC Leukemia Foundation. He also serves as the Co-Chair of the Global Diversity Council at Jefferies. Mr. Friedman received a J.D. from Columbia Law School and a B.S. in Economics and M.S. in Accounting from The Wharton School, University of Pennsylvania.

We believe that Mr. Friedman's business, financial, and management expertise, as well as his experience serving on the boards of public companies gives him the necessary experience, qualifications and skills to serve as a director of Vitesse.

*Bob Gerrity.* Mr. Gerrity is currently a member of our Board and will continue to serve as a member of our Board upon the completion of the Spin-Off. For Mr. Gerrity's biography, see "—Executive Officers Following the Spin-Off." We believe that Mr. Gerrity's experience in the energy industry and long history with Vitesse Energy provide him with the necessary skills to serve as a director and Chief Executive Officer of Vitesse.

*Daniel O'Leary.* Mr. O'Leary will serve as a member of our Board upon the completion of the Spin-Off. He has served on the board of Hillman Solutions Corp. since 2021 and currently serves on its Audit and Nominating and ESG Committees. Mr. O'Leary has served on the board of Custom Ecology, Inc. since 2021 as its Non-Executive Chairman. Additionally, he served as a director on the board of Sprint Industrial from 2017 to 2019.

Mr. O'Leary is an independent consultant who served as President and Chief Executive Officer of Edgen Murray Corporation, a distributor for energy infrastructure components, specialized oil and gas parts and equipment, from 2003 to 2021, and guided a management buyout that grew the company through a series of acquisitions and growth initiatives during that time. He was appointed Chairman of the board of Edgen Murray Corporation in 2006 and served in that role until March 2021. Edgen Murray Corporation completed its initial public offering in May 2012 and was acquired in 2013 by Sumitomo Corporation. Mr. O'Leary has served on various boards within Sumitomo Corporation and its subsidiaries. Mr. O'Leary received a B.S. in Education from Tulsa University.

We believe Mr. O'Leary's management, operational and business experience, combined with his long career principally in the oil and gas and energy infrastructure markets, provide him with the necessary experience, qualifications and skills to serve as a director of Vitesse.

*Cathleen Osborn.* Ms. Osborn will serve as a member of our Board upon the completion of the Spin-Off. Ms. Osborn is currently a consultant working in the area of oil and natural gas transactions.

Ms. Osborn is a corporate attorney with nearly 30 years of experience working in the energy industry. Previously, Ms. Osborn served as Executive Vice President, General Counsel and Corporate Secretary of SRC Energy Inc., an oil and gas company, from August 2015 until the company's merger with PDC Energy, Inc. in 2020. Prior to that, Ms. Osborn was Deputy General Counsel of Whiting Petroleum Corporation, an oil and gas company, from 2014 to August 2015, and General Counsel of Kodiak Oil & Gas Corporation, an oil and gas company, from 2011 until it was merged with Whiting Petroleum Corporation in 2014. Ms. Osborn received her B.A. and J.D. from the University of Denver.

We believe that Ms. Osborn's experience leading the in-house legal departments at several public oil and gas companies provides her with the necessary experience, qualifications and skills to serve as a director of Vitesse.

*Randy Stein.* Mr. Stein will serve as a member of our Board upon the completion of the Spin-Off. Mr. Stein is a self-employed tax, accounting, and general business consultant, having retired from PricewaterhouseCoopers LLP in 2000. Mr. Stein was employed for 20 years with PricewaterhouseCoopers LLP, most recently as principal in charge of the Denver, Colorado tax practice.

Mr. Stein currently serves on the board of Club Oil & Gas Inc., a private company that invests in oil and natural gas and real estate interests. Mr. Stein previously served as a director and Chairman of the Audit Committee of Denbury Resources Inc. from 2005 to 2020, HighPoint Resources Corporation (formally, Bill Barrett Corporation) from 2004 to 2021 and Westport Resources Inc. from 2000 to 2004, all public oil and gas companies. In addition, Mr. Stein served from 2001 through 2005 as a director of Koala Corporation, a Denver-based public company engaged in the design, production, and marketing of family convenience products. Mr. Stein also was previously employed as an executive director of a Denver based independent oil and gas company. Mr. Stein received a B.S. in Accounting from Florida State University.

We believe that Mr. Stein's experience serving on multiple public company boards of directors, including his multiple positions as Audit Committee Chair, as well as his experience in the energy industry, provide him with the necessary experience, qualifications and skills to serve as a director of Vitesse.

*Joseph Steinberg.* Mr. Steinberg will serve as a member of our Board upon the completion of the Spin-Off. He has served as a director on the Jefferies Board since December 1978 and as its Chairman since March 2013. Mr. Steinberg has served on the board of Crimson Wine Group, Ltd. since 2013. In July 2020, Mr. Steinberg joined the board of Pershing Square Tontine Holdings, Ltd., a special purpose acquisition company.

Previously, Mr. Steinberg served as a director overseeing Jefferies' investments in HomeFed Corporation from 1998 to 2019, HRG Group from 2014 to 2018, and Spectrum Brands Holdings, Inc. from 2018 to 2019, and as a director of Fidelity & Guaranty Life from 2015 to 2017. Mr. Steinberg received an M.B.A. from Harvard Business School and an A.B. in Government from New York University.

We believe that Mr. Steinberg's experience serving on public company boards of directors provide him with the necessary experience, qualifications and skills to serve as a director of Vitesse.

#### **Director Nomination Process**

The initial directors who will serve on our Board after the Spin-Off are expected to begin their terms at the time of the Distribution, with the exception of one independent director who is expected to begin his or her term prior to the date on which "when-issued" trading of our common stock commences and is expected to serve on our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

#### **Director Independence**

The Board is expected to affirmatively determine that [ ] qualify as independent under the rules of the NYSE and the Exchange Act, as applicable.

The Board will assess on a regular basis, and at least annually, the independence of directors and will make a determination as to which members are independent.

#### **Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended November 30, 2021, Vitesse was not an independent company and did not have a compensation committee or any other committee serving a similar function. Decisions as to the compensation of those who served as our executive officers for that fiscal year are described in more detail under the section entitled "Executive Compensation."

#### **Committees of the Board**

Effective upon the completion of the Spin-Off, our Board is expected to have standing committees for Audit, Nominating and Corporate Governance and Compensation. The Board committees are expected to act in an advisory capacity to the full Board, except that the Compensation Committee is expected to have direct responsibility for the Chief Executive Officer's goals, performance and compensation along with compensation of other executive officers, and the Audit Committee is expected to have direct responsibility for appointing, replacing, compensating and overseeing the independent registered public accounting firm. Our Board is expected to adopt a written charter for each of the standing committees that clearly establishes the committees' respective roles and responsibilities, which



will be posted to our website prior to the Distribution Date. In addition, each committee is expected to have the authority to retain independent outside professional advisors or experts as it deems advisable or necessary, including the sole authority to retain and terminate any such advisors, to carry out its duties.

**Audit Committee**

The Audit Committee is expected to be established in accordance with Section 3(a)(58)(A) and Rule 10A-3 under the Exchange Act. The responsibilities of our Audit Committee will be more fully described in our Audit Committee charter. We anticipate that our Audit Committee, among other duties, will:

- assist the Board in its oversight of the quality and integrity of our accounting, auditing and financial reporting practices and the independence of the independent registered public accounting firm;
- review the scope of the annual audit and the annual audit report of the independent registered public accounting firm;
- review financial reports, internal controls and financial and accounting risk exposures;
- discuss with management (1) earnings press releases and (2) material financial information and earnings guidance;
- review the policies, programs, performance and activities relating to Vitesse's compliance and ethics programs;
- review accounting policies and system of internal controls;
- assume responsibility for the appointment, replacement, compensation and oversight of the independent registered public accounting firm;
- review and pre-approve permitted non-audit functions performed by the independent registered public accounting firm;
- review the scope of work performed by the internal audit staff;
- review legal or regulatory requirements or proposals that may affect the committee's duties or obligations; and
- retain independent outside professional advisors, as needed.

The Audit Committee is expected to have at least three members and is expected to consist entirely of independent directors, each of whom will meet the independence requirements set forth in the listing standards of the NYSE and Rule 10A-3 under the Exchange Act. Each member of the Audit Committee will be financially literate, and at least one member of the Audit Committee will have accounting and related financial management expertise and satisfy the criteria to be an "audit committee financial expert" under the rules and regulations of the SEC, as those qualifications are interpreted by our Board in its business judgment. The initial members of our Audit Committee will be determined prior to the Spin-Off.

**Nominating and Corporate Governance Committee**

The responsibilities of our Nominating and Corporate Governance Committee will be more fully described in our Nominating and Corporate Governance Committee charter, and we anticipate that our Nominating and Corporate Governance Committee, among other duties, will:

- consider the organizational structure of the Board;
- identify and report to the Board risks associated with Vitesse's governance practices and the interaction of Vitesse's governance with enterprise risk management;
- recommend the nominees for directors to the Board;
- review recommended compensation arrangements for the Board, director and officer indemnification and insurance for the Board;
- review recommendations for director nominations received from stockholders;
- review stockholder proposals and make recommendations to the Board regarding Vitesse's response;
- review best practices in corporate governance and recommends corporate and Board policies/practices, as appropriate; and
- retain independent outside professional advisors, as needed.

The Nominating and Corporate Governance Committee is expected to consist entirely of independent directors, each of whom will meet the independence requirements set forth in the listing standards of the NYSE. The initial members of our Nominating and Corporate Governance Committee will be determined prior to the Spin-Off.

#### **Compensation Committee**

The responsibilities of our Compensation Committee will be more fully described in our Compensation Committee charter, and we anticipate that our Compensation Committee, among other duties, will:

- review the Chief Executive Officer's performance and approve the Chief Executive Officer's compensation;
- approve the compensation of certain other executive officers and executive compensation and benefit programs generally;
- review and approve executive employment agreements, severance agreements and change-in-control agreements, along with any amendments to such agreements;
- assess and discuss with the Board the relationship between the inherent risk in executive compensation plans, executive compensation arrangements and executive performance goals and payouts, and how the level of risk corresponds to Vitesse's business strategies;
- review compensation disclosure and recommend inclusion in Vitesse's annual report or proxy statement;
- review Vitesse's policies and programs promoting diversity and inclusion among Vitesse's employees and executive officers;
- recommend to the full Board the executive officers to be appointed by the Board;
- review succession and talent planning;
- evaluate the independence of the independent compensation consultant, if any, at least annually;
- review and discuss with management any transactions with the independent compensation consultant, if any, or its affiliates; and
- retain independent outside professional advisors, as needed.

The Compensation Committee is expected to consist entirely of independent directors, each of whom will meet the independence requirements set forth in the listing standards of the NYSE and Rule 10C-1 under the Exchange Act and will be "non-employee directors" (within the meaning of Rule 16b-3 under the Exchange Act). The initial members of our Compensation Committee will be determined prior to the Spin-Off.

#### **Corporate Governance**

We strive to maintain sound governance standards, to be reflected in our Governance Guidelines, Code of Business Conduct and Ethics, our systematic approach to risk management, and our commitment to transparent financial reporting and strong internal controls. The following documents will be made available on the Corporate Governance section of our website in connection with the Spin-Off, where you will be able to access information about corporate governance at Vitesse:

- Governance Guidelines;
- Code of Business Conduct and Ethics; and
- information about how to communicate concerns to the Board and management.

The information on our website is not, and shall not be deemed to be, a part of this Information Statement or incorporated into any other filings we make with the SEC.

#### **Criteria for Board Membership**

We believe our Board should be composed of directors who have had high-level executive experience, have been directors on other boards, or worked extensively with public company boards and have been tested through economic downturns and crises. Industry experience, regional relationships and broad diversity of experience and backgrounds are also factors in Board nominee selection. The Board's Governance Guidelines will confirm that we believe that it is desirable for Board members to possess diverse characteristics of gender, race, ethnicity and age, and we will consider those factors in Board evaluation and in the identification of candidates for Board membership. We believe this type of composition enables the Board to oversee the management of the business and affairs of Vitesse effectively.

The Nominating and Corporate Governance Committee is expected to consider candidates who have been properly nominated by stockholders, as well as candidates who have been identified by Board members and Vitesse personnel. In addition, the Nominating and Corporate Governance Committee may use a search firm to assist in the search for candidates and nominees and to evaluate the nominees' skills against the Board's criteria. Based on its review of all candidates, the Nominating and Corporate Governance Committee is expected to recommend a slate of director nominees for election at the annual meeting of stockholders. The slate of nominees may include both incumbent and new nominees.

Potential candidates are expected to be reviewed and evaluated by the Nominating and Corporate Governance Committee, and selected candidates are expected to go on to be interviewed by one or more Nominating and Corporate Governance Committee members. An invitation to join the Board is expected to be extended by the Board itself, through the Executive Chairman and the Chair of the Nominating and Corporate Governance Committee.

**Board Leadership Structure**

The Nominating and Corporate Governance Committee is expected to routinely review our governance practices and board leadership structure.

As of the completion of the Spin-Off, it is expected that [ ] will serve as Executive Chairman. Under our Governance Guidelines, the Board is expected to designate a non-employee director to serve as a Lead Independent Director when the Chairman is not independent. It is expected that [ ] will be elected to serve as Lead Independent Director by a majority of the independent directors promptly following the completion of the Spin-Off.

**Director Compensation**

We have not yet paid any compensation or made any determinations with respect to the compensation of the individuals who will be directors on our Board. Following the Distribution, compensation of directors on our Board will be reviewed and recommended by our Board and Compensation Committee. Directors who are also employees of Vitesse are not expected to receive any additional compensation for their services as directors.

## EXECUTIVE COMPENSATION

The following discussion relates to the compensation of our principal executive officer and our two other most highly compensated executive officers, as determined under the rules of the SEC, based on compensation paid to or earned by such individuals for the fiscal year ended November 30, 2021. These executive officers, whom we refer to as our “Named Executive Officers,” or our “NEOS” are:

- Bob Gerrity, who currently serves as our Chief Executive Officer;
- Brian Cree, who currently serves as our President and Chief Operating Officer; and
- David Macosko, who currently serves as Chief Financial Officer.

Messrs. Gerrity and Macosko are expected to serve in the same positions at Vitesse following the Spin-Off. Mr. Cree will serve as our President following the Spin-Off.

### Historical Compensation Paid or Awarded Under Vitesse Energy Plans and Arrangements

This discussion relates to the historical compensation paid to or earned by the NEOs while Vitesse Energy was majority owned by Jefferies. The amounts and forms of compensation reported herein, including the Executive Employment Agreements (as defined below), do not reflect the NEOs’ compensation or terms of employment following the Spin-Off because their historical compensation was determined by Jefferies and future compensation levels will be determined based on the compensation policies, programs and procedures to be established by our Board and Compensation Committee. We intend to include additional details on the terms of future compensation arrangements in an amendment to this Information Statement.

The following section provides compensation information pursuant to the scaled disclosure rules applicable to “emerging growth companies” under the rules of the SEC, including reduced narrative and tabular disclosure obligations regarding executive compensation.

### Summary Compensation Table

The table below summarizes the total compensation earned by each of the Named Executive Officers for the fiscal year ended November 30, 2021.

NAME AND PRINCIPAL POSITION	FISCAL	SALARY (\$)	BONUS (\$) <sup>(1)</sup>	ALL OTHER	TOTAL (\$)
	YEAR			COMPENSATION (\$)	
<b>Bob Gerrity</b> , Chief Executive Officer	2021	500,000	1,050,000	41,675	1,591,675
<b>Brian Cree</b> , President and Chief Operating Officer	2021	400,000	650,000	14,513	1,064,513
<b>David Macosko</b> , Chief Financial Officer	2021	315,000	230,000	11,106	556,106

<sup>(1)</sup> For Messrs. Gerrity and Cree, the amounts in this column represent the annual bonuses payable pursuant to the Executive Employment Agreements (as defined below). For Mr. Macosko, the amount in this column represents the discretionary bonus paid to Mr. Macosko in 2022 in recognition of his contributions to the Company in 2021. See “—2021 Bonuses.”

### Employment Agreements

Each of Messrs. Gerrity and Cree entered into an employment agreement with Vitesse Management Company LLC, Vitesse Oil and Vitesse Energy (for purposes herein, collectively referred to as the “Company”), effective as of February 18, 2020 (individually, the “Gerrity Employment Agreement,” or the “Cree Employment Agreement,” and collectively, the “Executive Employment Agreements”).

In addition to setting Messrs. Gerrity’s and Cree’s annual base salaries and annual cash bonuses, the Executive Employment Agreements include certain restrictive covenants that apply to Messrs. Gerrity and Cree and provide Messrs. Gerrity and Cree with severance benefits under certain circumstances. See “—Potential Payments Upon Termination.”

Mr. Macosko is an at-will employee and is not party to an employment agreement.

## 2021 Bonuses

The Executive Employment Agreements provided Messrs. Gerrity and Cree with a guaranteed annual bonus for the calendar year ending December 31, 2021 of \$1,050,000 and \$650,000, respectively.

The Company determined that, because of Mr. Macosko's contributions to the Company in the 2021 calendar year and his individual performance, Mr. Macosko should receive a bonus of \$230,000. Payment of such bonus was entirely in the Company's discretion.

## Outstanding Equity Awards at Fiscal Year-End

NAME		GRANT DATE	OPTION AWARDS		OPTION EXERCISE PRICE (\$) <sup>(3)</sup>	EXPIRATION DATE
			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE		
Bob Gerrity						
<i>Vitesse Energy MIUs</i>	(1)	05/15/2014	450,000	—	0.00	N/A
<i>Vitesse Oil MIUs</i>	(1)	10/15/2013	450,000	—	0.00	N/A
Brian Cree						
<i>Vitesse Energy MIUs</i>	(1)	5/15/2014	225,000	—	0.00	N/A
<i>Vitesse Oil MIUs</i>	(1)	10/15/2013	225,000	—	0.00	N/A
David Macosko						
<i>Vitesse Energy MIUs</i>	(1) (2)	6/1/2020	12,500	37,500	0.00	N/A

(1) Reflects information regarding Vitesse Energy MIUs and Vitesse Oil MIUs granted to our NEOs that were outstanding as of November 30, 2021. The Vitesse Energy MIUs represent membership interests in Vitesse Energy and the Vitesse Oil MIUs represent membership interests in Vitesse Oil. The Vitesse Energy MIUs and the Vitesse Oil MIUs are intended to constitute "profits interests" for federal income tax purposes. Despite the fact that neither the Vitesse Energy MIUs nor the Vitesse Oil MIUs require the payment of an exercise price, they are most similar economically to stock options. Accordingly, they are classified as "options" under the definition provided under applicable SEC rules and guidance. For more information on the Vitesse Energy MIUs and the Vitesse Oil MIUs, see "—Vitesse Energy Management Incentive Plan" and "—Vitesse Oil Management Incentive Plan." Pursuant to the Pre-Spin-Off Transactions, all of the Vitesse Energy MIUs held by each of Messrs. Gerrity and Cree will be transferred to Vitesse Energy Finance as repayment for loans from Vitesse Energy Finance to each such NEO. In addition, all of the Vitesse Oil MIUs held by each of Messrs. Gerrity and Cree will be transferred to Vitesse in exchange for newly issued shares of Vitesse common stock. For more information, see "The Spin-Off—Pre-Spin-Off Transactions" and "Certain Relationships and Related Party Transactions—Other Transactions and Relationships with Related Persons."

(2) Mr. Macosko's unvested Vitesse Energy MIUs vest one-third on each of June 1, 2022, 2023 and 2024. Pursuant to the Pre-Spin-Off Transactions, all of the vested Vitesse Energy MIUs held by Mr. Macosko will be transferred to Vitesse in exchange for newly issued shares of Vitesse common stock. For more information, see "The Spin-Off—Pre-Spin-Off Transactions."

(3) Represents the deemed exercise prices of the Vitesse Energy MIUs and the Vitesse Oil MIUs pursuant to the terms of the limited liability company agreement of Vitesse Energy and Vitesse Oil, respectively.

## Vitesse Energy Management Incentive Plan

The members of Vitesse Energy adopted the Vitesse Energy Management Incentive Plan (the "Vitesse Energy MIP") under which Vitesse Energy MIUs, which are intended to constitute "profits interests" for federal income tax purposes, may be granted. The Vitesse Energy MIUs granted to the NEOs generally are subject to a four-year vesting period. All of the Vitesse Energy MIUs held by each of Messrs. Gerrity and Cree were fully vested as of November 30, 2021 and 25% of the Vitesse Energy MIUs held by Mr. Macosko were vested as of November 30, 2021. Vitesse Energy MIUs, whether vested or unvested, generally are subject to forfeiture for no consideration if a holder of Vitesse Energy MIUs defaults in his or her obligation to make a capital contribution to Vitesse Energy and such default is not cured within a specified period of time or if his or her employment is terminated for cause.

### **Vitesse Oil Management Incentive Plan**

The members of Vitesse Oil adopted the Vitesse Oil Management Incentive Plan, (the "Vitesse Oil MIP") under which Vitesse Oil MIUs, which are intended to constitute "profits interests" for federal income tax purposes, may be granted. The Vitesse Oil MIP and Vitesse Oil MIUs are substantially similar to the Vitesse Energy MIP and the Vitesse Energy MIUs.

### **Potential Payments Upon Termination**

#### ***Separation Benefits in the Executive Employment Agreements***

The Executive Employment Agreements provide that, upon a termination of either of Messrs. Gerrity's or Cree's employment for any reason, Messrs. Gerrity or Cree, as applicable, will be entitled to (1) payment of any base salary earned, accrued vacation time and accrued but unpaid business expense reimbursements (for expenses reimbursable pursuant to the Executive Employment Agreements) through the date of termination (the "Accrued Obligation") and (2) payment of any earned but unpaid annual bonus for the year completed prior to the year in which such termination occurs (the "Prior Year Bonus"). The Executive Employment Agreements also entitle each of Messrs. Gerrity and Cree to payment of any vested benefits to which they are entitled under any employee benefit plans and compensation arrangements in which they participate at the time of their termination (the "Benefit Obligation").

Pursuant to the Executive Employment Agreements, Messrs. Gerrity and Cree are subject to restrictive covenants, including perpetual confidentiality and non-disparagement restrictions, and non-competition, non-solicitation (of both employees and customers) and non-interference restrictions (collectively, the "Restrictive Covenants"). The non-competition, non-solicitation and non-interference restrictions continue for six months following termination of employment if either of Messrs. Gerrity's or Cree's employment is terminated by the Company without Cause (as defined in the Executive Employment Agreements), by Messrs. Gerrity or Cree for Good Reason (as defined in the Executive Employment Agreements), or as a result of the Company's nonrenewal of the Term of the Executive Employment Agreements and continue for twelve months following termination of employment for any other reason. Payment of any compensation or benefits owed to Messrs. Gerrity or Cree may be terminated in connection with their violation of any of the Restrictive Covenants.

#### ***Termination by the Company without Cause, by Messrs. Gerrity or Cree for Good Reason, or due to Death or Disability while Messrs. Gerrity or Cree are Performing the Duties set forth in the Executive Employment Agreements***

In the event of either of Messrs. Gerrity's or Cree's termination of employment by the Company without Cause, by Messrs. Gerrity or Cree for Good Reason or Messrs. Gerrity's or Cree's death or termination of employment as a result of their disability, in each case, while performing their duties set forth in the Executive Employment Agreements, in addition to the Accrued Obligation, Prior Year Bonus and Benefit Obligation, Messrs. Gerrity and Cree will receive the Current Year Pro-Rata Bonus, paid within 30 days of termination and, subject to the execution of a release in favor of the Company and its affiliates, and their officers, directors, managers, employees and agents within 50 days following termination and nonrevocation thereafter, Messrs. Gerrity and Cree will also be entitled to the sum of their (1) base salary and (2) annual bonuses for the remainder of the initial term of the Executive Employment Agreements, which extends to December 31, 2023.

### **Vitesse Energy, Inc. Long-Term Incentive Plan**

Prior to the Spin-Off, our Board intends to adopt a long-term incentive plan, which we refer to as the "VTS LTIP." The following summary describes what we anticipate will be the material terms of the VTS LTIP, although the ultimate terms may vary depending on the plan actually adopted by the Board.

*Participants.* Any of our employees or consultants and any member of our Board, whether or not employed by us, will be eligible to participate in the VTS LTIP. An eligible employee, consultant or director becomes a participant if he or she is selected to receive and receives a VTS LTIP award by the plan administrator.

*Plan Administration.* Our Board will administer the VTS LTIP with respect to awards made to members of our Board who are not our employees. The committee designated by the Board, which we refer to as the "Committee," will administer the VTS LTIP with respect to awards made to our employees and consultants. The Committee may delegate to our Chief Executive Officer, our President or a Committee member, all or part of its authority and duties as to awards made to individuals who are not subject to Section 16 of the Exchange Act.

The plan administrator will have the authority, among others, to select eligible persons to receive awards; determine the terms and conditions of, and all other matters relating to, awards; approve award agreements and the rules and regulations for the administration of the plan; construe and interpret the plan and award agreements; amend the terms of any award, including to accelerate vesting of any award; interpret, administer or reconcile inconsistencies in the plan; and make all other determinations as the plan administrator may deem necessary or advisable for the administration of the plan.

*Aggregate Number of Plan Shares.* The maximum aggregate number of shares of our common stock that may be issued or acquired and delivered (including in respect of the exercise of incentive stock options) under the VTS LTIP will be [ ], with such shares subject to adjustment to reflect any extraordinary cash dividend, stock dividend, split or combination of our common stock. The total aggregate number of shares of common stock that may be issued or acquired and delivered under the VTS LTIP to any non-employee director cannot exceed [ ] per fiscal year. If any award granted under the VTS LTIP is settled in cash, expires or is forfeited or canceled, then the shares of our common stock subject to such award will again be made available for future grants. However, the following shares of our common stock will not be added back: (1) shares of our common stock withheld by us in payment of the exercise price of a stock option; (2) shares of our common stock tendered or otherwise used in payment of the exercise price of a stock option; (3) shares of our common stock withheld by us or tendered or otherwise used to satisfy a tax withholding obligation; (4) shares of our common stock subject to share-settled appreciation rights that are not actually issued in connection with the settlement of such appreciation right; and (5) shares of our common stock we reacquire on the open market or otherwise using cash proceeds from the exercise of stock options.

*Stock Option Awards.* The exercise price of an option will be fixed by the plan administrator but cannot be less than the fair market value of our common stock on the date of grant. The options will be subject to such terms, including the exercise price and the conditions and timing of vesting, exercise and expiration, as may be determined by the plan administrator. The maximum period in which an option may be exercised cannot exceed ten years from the date of grant. The option price may be paid in cash (or cash equivalent) or by such other method as the plan administrator may permit in its sole discretion, including by exchanging shares of our common stock valued at the fair market value at the time the option is exercised and by means of a "net exercise" procedure effected by withholding the minimum number of shares otherwise deliverable in respect of an option that are needed to pay the exercise price and all applicable required withholding taxes. Options granted under the VTS LTIP may be either non-qualified options or incentive stock options.

*Stock Appreciation Rights Awards.* Stock appreciation rights, which we refer to as "SARs," entitle the holder, upon exercise, to receive an amount equal to the appreciation of the shares subject to such award between the grant date and the exercise date. The exercise price of a SAR will be fixed by the plan administrator but cannot be less than the fair market value of our common stock on the date of grant. The maximum period in which a SAR may be exercised cannot exceed ten years from the date of grant. SARs may be granted as standalone awards or in connection with a stock option. SARs granted in connection with a stock option will be subject to the same terms and conditions as the underlying stock option, including with respect to exercisability. SARs may be settled in cash, shares of our common stock or a combination of the two, as determined by the plan administrator in its discretion.

*Restricted Stock Awards.* Restricted stock awards are a grant of shares of our common stock, which may be forfeitable or restricted for a certain period of time. Holders of restricted stock awards will generally have all of the rights of a stockholder (including voting and dividend rights) prior to the time the shares of our common stock become non-forfeitable or transferable. The vesting of restricted stock awards may also be subject to the achievement of performance goals as determined by the plan administrator.

*Restricted Stock Unit Awards.* Restricted stock unit awards are contractual promises to deliver shares of our common stock in the future, which may be forfeitable for a certain period of time. The vesting of restricted stock unit awards may also be subject to the achievement of performance goals as determined by the plan administrator. The restricted stock unit awards may receive dividend equivalents on the shares of our common stock, which may be paid in cash or shares that may be forfeited if the underlying restricted stock unit awards are forfeited. The restricted stock unit awards may be settled in cash, shares of our common stock or a combination of the two, as determined by the plan administrator in its discretion.

*Performance Awards.* Performance awards include performance share awards and performance unit awards that are granted subject to vesting or payment, as applicable, based on the attainment of specified performance objectives prescribed by the plan administrator during a performance period. Once earned, a performance award may be settled in cash, shares of our common stock or a combination of the two, as determined by the plan administrator in its discretion. Performance share awards may receive dividend equivalents, however no such dividend equivalents may be paid before the underlying performance share awards are earned and vested.

*Other Stock-Based Awards.* The plan administrator will be authorized to grant other stock-based awards in such amounts and subject to such terms and conditions as the plan administrator may determine.

*Changes in Capitalization.* If there is a change in our corporate capitalization as a result of a stock dividend, stock split-up, subdivision, consolidation, recapitalization, merger, spin-off, combination, repurchase or exchange of stock, reorganization, liquidation, dissolution or any other non-recurring dividends or distribution or any other event that, in the judgment of the Committee, necessitates adjustment and the Committee determines an adjustment is equitably required, then the plan administrator will make such adjustments as it deems necessary or appropriate in order to prevent dilution or enlargement of benefits under the VTS LTIP, including adjusting the number and class of securities reserved for issuance under the VTS LTIP; the number, class of securities and price covered by awards then outstanding under the VTS LTIP; and the numerical limits applicable to shares of our common stock available for issuance under the VTS LTIP, incentive stock options and shares that may be granted to non-employee members of our Board. The Committee will determine the method and manner by which to effect any such equitable adjustment, including replacing any outstanding awards with alternative consideration.

*Term and Amendments.* The VTS LTIP will have a term of ten years. Our Board may amend the plan or terminate it at any time, subject to shareholder approval of any amendment to materially increase the aggregate number of shares of common stock that may be issued or delivered under the plan; reduce the price at which an option is exercisable or otherwise reprice or reoffer substitute options with a lower exercise price; change the types of awards that may be granted; expand the classes of eligible participants; or that otherwise requires the approval of our shareholders to comply with applicable law or the rules of the any stock exchange on which our shares are listed.



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Following the Pre-Spin-Off Transactions and immediately prior to the Spin-Off, Jefferies will beneficially own [ ]% of our total issued and outstanding common stock. After the Spin-Off, Jefferies will not own any shares of our common stock.

The following tables provide information regarding the anticipated beneficial ownership of our common stock immediately following the Spin-Off. Except as otherwise noted below, we based the share amounts on (1) each person's beneficial ownership of Jefferies common stock on [ ], 2022, giving effect to a distribution ratio pursuant to which, for every [ ] shares of Jefferies common stock he, she or it held, [ ] shares of our common stock will be distributed, and (2) each person's expected beneficial ownership of our common stock immediately prior to the Distribution as a result of the Pre-Spin-Off Transactions. Immediately following the Spin-Off, we estimate that [ ] shares of our common stock will be issued and outstanding, based on (1) the number of shares of Jefferies common stock outstanding on [ ], 2022 and (2) the expected number of shares of Vitesse common stock outstanding (other than shares held by Jefferies) immediately prior to the Distribution as a result of the Pre-Spin-Off Transactions. The actual number of shares of our common stock outstanding following the Spin-Off will be determined on [ ], 2022.

To the extent our directors and executive officers own Jefferies common stock at the Record Date of the Spin-Off, they will participate in the Distribution on the same terms as other holders of Jefferies common stock.

**Share Ownership Information for Directors and Officers**

The following table shows the number of shares of Vitesse common stock expected to be beneficially owned by our current directors, named executive officers and directors and executive officers as a group immediately following the Spin-Off based on the assumptions set forth above. Except as otherwise noted in the footnotes below, each person identified in the table below has sole voting and investment power with respect to the securities he or she holds. Except as otherwise noted in the footnotes below, the address of each director and executive officer shown in the table below is 9200 E. Mineral Ave. Suite 200, Centennial, Colorado 80112.

<b>DIRECTORS AND EXECUTIVE OFFICERS</b>	<b>COMMON STOCK</b>	<b>PERCENT OF CLASS</b>
Linda Adamany	[ ]	[ ]%
Brian Cree	[ ]	[ ]%
Brian Friedman	[ ]	[ ]%
Bob Gerrity	[ ]	[ ]%
David Macosko	[ ]	[ ]%
Gina Matero	[ ]	[ ]%
Cathleen Osborn	[ ]	[ ]%
Daniel O'Leary	[ ]	[ ]%
Randy Stein	[ ]	[ ]%
Joseph Steinberg	[ ]	[ ]%
All directors and executive officers as a group ([ ] persons)	[ ]	[ ]%

**Certain Beneficial Owners**

The following table shows all holders known to Vitesse that are expected to be beneficial owners of more than five percent of the outstanding shares of Vitesse common stock immediately following the completion of the Spin-Off based on the assumptions set forth above. Except as otherwise noted in the footnotes below, each person or entity identified in the table has sole voting and investment power with respect to the securities he, she or it holds.

NAME OF BENEFICIAL OWNER	COMMON STOCK	PERCENT OF CLASS
The Vanguard Group, Inc.	[ ] <sup>(1)</sup>	[ ]%
BlackRock, Inc.	[ ] <sup>(2)</sup>	[ ]%
Richard Handler	[ ] <sup>(3)</sup>	[ ]%
Joseph Steinberg	[ ] <sup>(4)</sup>	[ ]%

(1) The Vanguard Group, 100 Vanguard Blvd., Malvern, Pennsylvania 19355, reported shared voting power over 109,385 shares of Jefferies common stock, sole dispositive power over 21,834,050 shares of Jefferies common stock, shared dispositive power over 270,310 shares of Jefferies common stock and sole voting power over no shares of Jefferies common stock as of December 31, 2021 in its amended Schedule 13G filed on February 10, 2022.

(2) BlackRock, Inc., 55 East 52nd Street, New York, New York 10055, reported sole voting power over 17,348,307 shares of Jefferies common stock, sole dispositive power over 18,249,052 shares of Jefferies common stock and no shared voting or dispositive power over any shares of Jefferies common stock as of December 31, 2021 in its amended Schedule 13G filed on February 1, 2022.

(3) Mr. Handler's address is c/o Jefferies Financial Group Inc., 520 Madison Avenue, New York, New York 10022.

(4) Mr. Steinberg's address is c/o Jefferies Financial Group Inc., 520 Madison Avenue, New York, New York 10022.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### **Agreements Related to the Spin-Off**

Following the Spin-Off, we and Jefferies will operate independently, and neither will have any ownership interest in the other. In order to govern the ongoing relationships among us, the Jefferies Parties, 3B Energy, Gerrity Bakken and Messrs. Gerrity and Cree after the Spin-Off and to facilitate an orderly transition, we intend to enter into a series of agreements to effect the Spin-Off, to provide a framework for the relationship among the parties after the separation and to provide for various rights and obligations following the Spin-Off, in each case, pursuant to which we and the Jefferies Parties will agree to indemnify each other against certain liabilities arising from our respective businesses. The following summarizes the terms of the material agreements into which we expect to enter.

#### **Separation and Distribution Agreement**

We intend to enter into a Separation and Distribution Agreement that will set forth our agreements with the Jefferies Parties, 3B Energy, Gerrity Bakken and Messrs. Gerrity and Cree regarding the principal actions to be taken in connection with the Spin-Off. It will also set forth other agreements that govern aspects of the parties' relationships.

*Pre-Spin-Off Transactions.* The Separation and Distribution Agreement will describe certain actions relating to the Spin-Off that will occur prior to the Distribution, which are described in further detail under "The Spin-Off—Pre-Spin-Off Transactions."

*The Distribution.* The Separation and Distribution Agreement will govern Jefferies' and our respective rights and obligations regarding the proposed Distribution. Prior to the Distribution, Jefferies will deliver all the issued and outstanding shares of our common stock held by Jefferies to the distribution agent. Following the Distribution Date, the distribution agent will electronically deliver such shares of our common stock to Jefferies shareholders based on the distribution ratio. The Jefferies Board will have the sole and absolute discretion to determine the terms of, and whether to proceed with, the Distribution.

*Conditions.* The Separation and Distribution Agreement will also provide that several conditions must be satisfied or waived by Jefferies in its sole and absolute discretion before the Distribution can occur. For further information about these conditions, see the section entitled "The Spin-Off—Conditions to the Spin-Off." The Jefferies Board may, in its sole and absolute discretion, determine the Record Date, the Distribution Date and the terms of the Spin-Off and may at any time prior to the completion of the Spin-Off decide to abandon or modify the Spin-Off.

*Further Assurances.* The parties will use commercially reasonable efforts to take all actions and to do all things reasonably necessary, proper or advisable to consummate the Distribution.

*Exchange of Information.* We and Jefferies will agree to provide each other with information to comply with reporting, disclosure, filing or other requirements of any governmental authority, for use in judicial, regulatory, administrative, tax and other proceedings and to satisfy audit, accounting, claims defense, regulatory filings, litigation, tax or other similar requests. The parties will also agree to use commercially reasonable efforts to retain such information in accordance with our respective record retention policies as in effect on the date of the Distribution.

*Termination.* The Jefferies Board, in its sole and absolute discretion, may terminate the Separation and Distribution Agreement at any time prior to the Distribution.

We have not yet finalized the terms of the Separation and Distribution Agreement, and we may include additional details on its terms in an amendment to the Registration Statement on Form 10, of which this Information Statement is a part.

#### **Tax Matters Agreement**

We intend to enter into a Tax Matters Agreement with Jefferies that will govern the respective rights, responsibilities and obligations of Jefferies and us after the Spin-Off with respect to all tax matters (including tax liabilities, tax attributes, tax returns and tax contests).

We have not yet finalized the terms of the Tax Matters Agreement, and we intend to include additional details on its terms in an amendment to the Registration Statement on Form 10, of which this Information Statement is a part.

### Other Transactions and Relationships with Related Persons

Brian Friedman, who will be a member of our Board upon the completion of the Spin-Off, is an indirect limited partner of Jefferies Capital Partners. As a result of the transfer of Vitesse Oil to Vitesse and the series of distributions contemplated by the Pre-Spin-Off Transactions, Mr. Friedman will hold approximately [ ]% of the issued and outstanding common stock of Vitesse immediately prior to the Distribution, and will hold approximately [ ]% of the issued and outstanding common stock of Vitesse immediately following the Distribution.

Bob Gerrity, who is a member of our Board and our Chief Executive Officer, and Brian Cree, who is our President and Chief Operating Officer, collectively hold 100% of the equity interests in 3B Energy. Pursuant to the Pre-Spin-Off Transactions, 3B Energy will transfer all of its Vitesse Energy equity interests to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to 3B Energy. The outstanding principal amount of such prior loans was \$[ ] (\$[ ] with accrued interest). In addition, each of Messrs. Gerrity and Cree will transfer each of their Vitesse Energy MIUs to Vitesse Energy Finance as repayment for prior loans from Vitesse Energy Finance to each of Messrs. Gerrity and Cree. The outstanding principal amounts of such prior loans were \$[ ] and \$[ ], respectively (\$[ ] and \$[ ], respectively, with accrued interest).

Mr. Gerrity holds 100% of the equity interests of Gerrity Bakken, and each of Messrs. Gerrity and Cree holds Vitesse Oil MIUs. As a result of the transfer of Vitesse Oil to Vitesse and the series of distributions contemplated by the Pre-Spin-Off Transactions, Messrs. Gerrity and Cree will hold approximately [ ]% and [ ]%, respectively, of the issued and outstanding common stock of Vitesse immediately prior to the Distribution, and will hold approximately [ ]% and [ ]%, respectively, of the issued and outstanding common stock of Vitesse immediately following the Distribution.

On July 1, 2016, Vitesse Management Company LLC (“Vitesse Management”), an indirect wholly owned subsidiary of Vitesse Energy, entered into a services agreement with JETX Energy, LLC (“JETX”), an indirect majority owned subsidiary of Jefferies. Pursuant to this services agreement, Vitesse agreed to provide JETX certain administrative services and supervise, administer and manage the business affairs and operations of JETX and its subsidiaries for a service provider fee of \$0.2 million per month. The term of this services agreement extends for an unlimited amount of time, but is subject to termination by either Vitesse Management or JETX upon providing written consent or certain final exit events specified therein. During the six months ended May 31, 2022 and the year ended November 30, 2021, Vitesse Energy received service provider fees of \$1.2 million and \$2.4 million, respectively, pursuant to the services agreement.

Linda Adamany, Brian Friedman and Joseph Steinberg, who will be members of our Board upon the completion of the Spin-Off, also serve on the Jefferies Board and will receive shares of Vitesse in the Distribution. They may be required to recuse themselves from deliberations relating to these arrangements and other arrangements between us and Jefferies in the future, due to potential conflicts of interest.

### Policy and Procedures Governing Related Person Transactions

Prior to the completion of the Spin-Off, our Board will adopt a written policy regarding the review, approval and ratification of transactions with related persons as set forth in our Nominating and Corporate Governance Committee Charter and the Code of Business Conduct and Ethics.

We anticipate that this policy will provide that our Nominating and Corporate Governance Committee review each of Vitesse’s transactions in which any “related person” had, has or will have a direct or indirect material interest. In general, “related persons” are our directors, director nominees, executive officers and shareholders beneficially owning more than 5% of our outstanding common stock and immediate family members or certain affiliated entities of any of the foregoing persons. We expect that our Nominating and Corporate Governance Committee will approve or ratify only those transactions that are fair and reasonable to Vitesse and in Vitesse and its shareholders’ best interests.

A director may not be involved in a business transaction in which the director has a conflict of interest with Vitesse. Anything that could present a conflict of interest for a director may also present a conflict of interest if it is related to a member of his or her immediate family. Because potential conflicts of interest may not always be clear cut, directors, individuals subject to Section 16 of the Exchange Act and senior executive officers will be expected to disclose any material transaction or relationship that involves, or may involve, a conflict of interest or potential conflict of interest with Vitesse promptly to the chair of Vitesse’s Nominating and Corporate Governance Committee, who may consult with legal counsel, as appropriate.

## DESCRIPTION OF OUR INDEBTEDNESS

### Existing Revolving Credit Facility

Vitesse Energy has a secured Existing Revolving Credit Facility with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of banks, as lenders. The Existing Revolving Credit Facility will mature on April 29, 2026. The Existing Revolving Credit Facility permits borrowing on a revolving credit basis with availability equal to the least of (1) the current aggregate elected commitments of \$170 million, (2) the current borrowing base of \$200 million and (3) the maximum credit amount of \$500 million. The aggregate elected commitments of the lenders under the Existing Revolving Credit Facility may be increased up to a maximum credit amount of \$500 million, subject to the satisfaction of certain customary conditions, including the willingness of the existing lenders to increase their commitments or of new lenders to provide additional commitments. In connection with the closing of the Existing Revolving Credit Facility in April 2022, the borrowing base was set at \$200 million. Our borrowing base under the Existing Revolving Credit Facility is subject to regular, semi-annual redeterminations on or about April 1 and October 1 of each year based on, among other things, the value of our proved oil and natural gas reserves, as determined by the lenders in their discretion. As of May 31, 2022, under the Existing Revolving Credit Facility we had outstanding borrowings of \$84.0 million and \$86.0 million of available borrowing capacity. At our option, borrowings under the Existing Revolving Credit Facility bear interest at either an adjusted forward-looking term rate based on SOFR ("Term SOFR") or an adjusted base rate ("Base Rate") (the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% or the 30-day Term SOFR rate plus 1.0%), plus an applicable margin ranging from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to Term SOFR borrowings, in each case based on the current commitment utilization percentage. The Existing Revolving Credit Facility is guaranteed by all of our subsidiaries and is collateralized by a first priority lien on substantially all assets of Vitesse Energy and its subsidiaries, including a first priority lien on properties representing a minimum of 85% of the proved reserve value of our oil and natural gas properties.

The credit agreement governing the Existing Revolving Credit Facility (the "Credit Agreement") contains various affirmative, negative and financial maintenance covenants. These covenants limit our ability to, among other things, incur or guarantee additional debt, make distributions to our equity holders, make certain investments and acquisitions, incur certain liens or permit them to exist, enter into certain types of transactions with affiliates, merge or consolidate with another company and transfer, sell or otherwise dispose of assets. The Credit Agreement also contains covenants requiring us to maintain the following financial ratios tested on a quarterly basis: (1) a consolidated Total Funded Debt to consolidated EBITDAX ratio (in each case, as defined in the Credit Agreement) of not greater than 3.0 to 1.0; and (2) a ratio of consolidated current assets to consolidated current liabilities of not less than 1.0 to 1.0. The Credit Agreement also contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross default, bankruptcy and change in control. If an event of default exists under the Credit Agreement, the lenders will be able to terminate the lending commitments, accelerate the maturity of the Credit Agreement and exercise other rights and remedies with respect to the collateral.

### New Revolving Credit Facility

Vitesse intends to enter into a secured New Revolving Credit Facility in connection with the Spin-Off. The New Revolving Credit Facility will replace the Existing Revolving Credit Facility of Vitesse Energy. As the terms of the credit agreement governing the New Revolving Credit Facility are finalized, we will provide the required and appropriate information in subsequent amendments to the Registration Statement on Form 10, of which this Information Statement is a part.

## DESCRIPTION OF OUR CAPITAL STOCK

### General

Prior to the Distribution Date, Jefferies will approve and adopt our Amended and Restated Certificate of Incorporation, and our Board will approve and adopt our Amended and Restated Bylaws. The following summarizes information concerning our capital stock, including material provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and certain provisions of Delaware law. This summary does not purport to be complete and you are encouraged to read the forms of our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, which will be filed as exhibits to our Registration Statement on Form 10, of which this Information Statement is part, for greater detail with respect to these provisions. As used in this "Description of Our Capital Stock," "Vitesse," "we," "our" and "us" refer to Vitesse Energy, Inc. and not any of its consolidated subsidiaries after giving effect to the Pre-Spin-Off Transactions.

### Authorized Capital Stock

Immediately following the Spin-Off, our authorized capital stock will consist of [ ] shares of common stock, par value \$0.01 per share and [ ] shares of preferred stock, par value \$0.01 per share.

### Common Stock

**Shares Outstanding.** Immediately following the Spin-Off, we estimate that approximately [ ] shares of our common stock will be issued and outstanding, based on (1) the number of shares of Jefferies common stock outstanding on [ ], 2022 and (2) the expected number of shares of our common stock outstanding (other than shares held by Jefferies) immediately prior to the Distribution as a result of the Pre-Spin-Off Transactions. The actual number of shares of our common stock outstanding immediately following the Spin-Off will depend on the actual number of shares of Jefferies common stock outstanding on the Record Date, and will reflect any issuance of new shares or exercise of outstanding options pursuant to Jefferies' equity plans on or prior to the Record Date.

**Dividends.** Holders of shares of our common stock will be entitled to receive dividends when, as and if declared by our Board at its discretion out of funds legally available for that purpose, subject to the preferential rights of any preferred stock that may be outstanding. Following the Distribution, we expect that Vitesse will pay a regular cash dividend on a quarterly basis. Notwithstanding this current expectation, the timing, declaration, amount of and payment of any dividends will be within the discretion of our Board and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt service obligations, legal requirements or limitations, industry practice, and other factors deemed relevant by our Board. Moreover, if as expected we determine to initially pay a dividend following the Distribution, there can be no assurance that we will continue to pay dividends in the same amounts or at all thereafter. We have not adopted, and do not currently expect to adopt, a separate written dividend policy to reflect our Board's policy. See the sections entitled "Dividend Policy" and "Risk Factors—Risks Relating to Our Common Stock— Although we expect to pay dividends, we cannot provide assurance that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock."

**Voting Rights.** The holders of our common stock will be entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

**Other Rights.** Subject to the preferential liquidation rights of any preferred stock that may be outstanding, upon our liquidation, dissolution or winding-up, the holders of our common stock will be entitled to share ratably in our assets legally available for distribution to our stockholders.

**Fully Paid.** The issued and outstanding shares of our common stock are fully paid and non-assessable. Any additional shares of common stock that we may issue in the future will also be fully paid and non-assessable.

The holders of our common stock will not have preemptive rights or preferential rights to subscribe for shares of our capital stock.

### **Preferred Stock**

Our Amended and Restated Certificate of Incorporation will authorize our Board to designate and issue from time to time one or more series of preferred stock without stockholder approval. Our Board may fix and determine the designation, relative rights, preferences and limitations of the shares of each such series of preferred stock. There are no present plans to issue any shares of preferred stock.

### **Certain Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws *Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws***

Certain provisions in our proposed Amended and Restated Certificate of Incorporation and our proposed Amended and Restated Bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our Board and in the policies formulated by our Board and to discourage certain types of transactions that may involve an actual or threatened change of control. These include provisions that:

- prevent our stockholders from calling a special meeting or acting by written consent;
- require advance notice of any stockholder nomination for the election of directors or any stockholder proposal;
- provide for a plurality voting standard in director elections;
- authorize only our Board to fill director vacancies and newly created directorships;
- authorize our Board to adopt, amend or repeal our Amended and Restated Bylaws without stockholder approval; and
- authorize our Board to issue one or more series of "blank check" preferred stock.

Section 203 of the DGCL, prohibits a Delaware corporation from engaging in a business combination with any interested stockholder for a period of three years following the date the person became an interested stockholder, subject to certain exceptions. In general, Section 203 of the DGCL defines an "interested stockholder" as an entity or person who, together with the entity's or person's affiliates, beneficially owns, or is an affiliate of the corporation and within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation. A Delaware corporation may "opt out" of these provisions with an express provision in its certificate of incorporation. We have not opted out of Section 203 of the DGCL in our Amended and Restated Certificate of Incorporation.

### ***Limitation on Liability of Directors and Indemnification of Directors and Officers***

Under Delaware law, a corporation may indemnify any individual made a party or threatened to be made a party to any type of proceeding, other than an action by or in the right of the corporation, because he or she is or was an officer, director, employee or agent of the corporation or was serving at the request of the corporation as an officer, director, employee or agent of another corporation or entity against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such proceeding if (1) he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or (2) in the case of a criminal proceeding, he or she had no reasonable cause to believe that his or her conduct was unlawful. A corporation may indemnify any individual made a party or threatened to be made a party to any threatened, pending or completed action or suit brought by or in the right of the corporation because he or she was an officer, director, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other entity, against expenses actually and reasonably incurred in connection with such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, provided that such indemnification will be denied if the individual is found liable to the corporation unless, in such a case, the court determines the person is nonetheless entitled to indemnification for such expenses. A corporation must indemnify a present or former director or officer who successfully defends himself or herself in a proceeding to which he or she was a party because he or

she was a director or officer of the corporation against expenses actually and reasonably incurred by him or her. Expenses incurred by an officer or director, or any employees or agents as deemed appropriate by the board of directors, in defending civil or criminal proceedings may be paid by the corporation in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of such director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. The Delaware law regarding indemnification and expense advancement is not exclusive of any other rights which may be granted by our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws, a vote of stockholders or disinterested directors, agreement or otherwise.

Under Delaware law, termination of any proceeding by conviction or upon a plea of *nolo contendere* or its equivalent does not, of itself, create a presumption that such person is prohibited from being indemnified.

Delaware law permits a corporation to adopt a provision in its certificate of incorporation eliminating or limiting the personal liability of a director or officer in his or her capacity as such, to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, except that such provision may not limit the liability of (1) a director or officer for any breach of the director's or officer's duty of loyalty to the corporation or its stockholders, (2) a director or officer for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (3) a director for unlawful payment of dividends or stock purchases or redemptions, (4) a director or officer for any transaction from which the director or officer derived an improper personal benefit, or (5) an officer in any action by or in right of the corporation. Our Amended and Restated Certificate of Incorporation will provide that, to the fullest extent permitted under Delaware law, no Vitesse director or officer shall be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director or officer.

Our Amended and Restated Certificate of Incorporation will require indemnification, to the fullest extent permitted under Delaware law, of any person who is or was a director or officer of Vitesse or any of its direct or indirect wholly owned subsidiaries and who is or was a party or is threatened to be made a party to, or was or is otherwise directly involved in (including as a witness), any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of Vitesse or any direct or indirect wholly owned subsidiary of Vitesse, or is or was serving at the request of Vitesse as a director, officer, trustee, employee, partner, member or agent of another corporation or of a partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise, whether the basis of such proceeding is alleged action in an official capacity or in any other capacity, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided that the foregoing shall not apply to a director or officer with respect to a proceeding that was commenced by such director or officer except under certain circumstances.

In addition, our Amended and Restated Certificate of Incorporation will provide that expenses incurred by or on behalf of a current or former director or officer in connection with defending or otherwise participating in any action, suit or proceeding will be advanced to the director or officer by us upon the request of the director or officer, which request will include an undertaking by or on behalf of the director or officer to repay the amounts advanced if ultimately it is determined that the director or officer was not entitled to be indemnified against the expenses.

The indemnification rights to be provided in our Amended and Restated Certificate of Incorporation will not be exclusive of any other right to which persons seeking indemnification may otherwise be entitled.

As permitted by Delaware law, our Amended and Restated Certificate of Incorporation will authorize us to purchase and maintain insurance to protect any current or former director or officer against claims and liabilities that such persons may incur in such capacities.

#### **Exclusive Forum**

Our Amended and Restated Certificate of Incorporation will provide that, in all cases to the fullest extent permitted by law, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of Vitesse, (2) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of Vitesse to Vitesse or Vitesse stockholders, (3) any action or proceeding



asserting a claim arising pursuant to, or seeking to enforce any right, obligation or remedy under, any provision of Delaware law or Vitesse's Amended and Restated Certificate of Incorporation or Vitesse's Amended and Restated Bylaws (with respect to each, as may be amended from time to time), (4) any action or proceeding asserting a claim governed by the internal affairs doctrine or any other action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL or (5) any action or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware. However, if and only if the Court of Chancery of Delaware does not have jurisdiction, the action or proceeding may be brought in any other state or U.S. federal court located within the State of Delaware. Further, this exclusive forum provision will not apply to suits brought to enforce a duty or liability created by the Exchange Act or the Securities Act.

#### **Recent Sales of Unregistered Securities**

In connection with its incorporation, on August 5, 2022, Vitesse issued 1,000 shares of its common stock at par value to Vitesse Energy Finance pursuant to Section 4(a)(2) of the Securities Act. Vitesse did not register the issuance of these shares under the Securities Act because such issuance did not constitute a public offering.

In connection with the Pre-Spin-Off Transactions, Vitesse Energy Finance and holders of vested Vitesse Energy MIUs (other than Messrs. Gerrity and Cree) will transfer their respective equity interests in Vitesse Energy to Vitesse in exchange for [ ] shares and [ ] shares, respectively, of common stock of Vitesse. The transfers are expected to be consummated shortly before the Distribution. Shares of Vitesse common stock will be issued to Vitesse Energy Finance and such holders of vested Vitesse Energy MIUs as consideration for their respective ownership interests in Vitesse Energy pursuant to Section 4(a)(2) of the Securities Act. Vitesse does not plan to register the issuance under the Securities Act because this issuance will not constitute a public offering.

In connection with the Pre-Spin-Off Transactions, Jefferies Capital Partners, Gerrity Bakken and holders of vested Vitesse Oil MIUs will transfer their respective equity interests in Vitesse Oil to Vitesse in exchange for [ ] shares, [ ] shares and [ ] shares, respectively, of common stock of Vitesse. The transfers are expected to be consummated concurrently with the transfer of Vitesse Energy to Vitesse and shortly before the Distribution. Shares of Vitesse common stock will be issued to Jefferies Capital Partners, Gerrity Bakken and holders of vested Vitesse Oil MIUs as consideration for their respective ownership interests in Vitesse Oil pursuant to Section 4(a)(2) of the Securities Act. Vitesse does not plan to register the issuances under the Securities Act because these issuances will not constitute a public offering.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be [ ].

#### **New York Stock Exchange Listing**

We intend to list our common stock on the NYSE under the ticker symbol "VTS."

### WHERE YOU CAN FIND MORE INFORMATION

We have filed a Registration Statement on Form 10 with the SEC with respect to the shares of our common stock that Jefferies shareholders will receive in the Distribution, as contemplated by this Information Statement. This Information Statement is a part of, and does not contain all the information set forth in, the Registration Statement and the other exhibits and schedules to the Registration Statement. For further information with respect to us and our common stock, please refer to the Registration Statement, including its other exhibits and schedules. Statements we make in this Information Statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the Registration Statement for copies of the actual contract or document.

As a result of the Spin-Off, we will become subject to the information and reporting requirements of the Exchange Act, and, in accordance with the Exchange Act, we will file periodic reports, proxy statements and other information with the SEC. The SEC maintains a website, [www.sec.gov](http://www.sec.gov), that contains periodic reports, proxy statements and information statements and other information regarding issuers, like us, that file electronically with the SEC. The Registration Statement, including its exhibits and schedules, and the periodic reports, proxy statements and information statements and other information that we file electronically with the SEC will be available for inspection and copying at the SEC's website.

You can also find a copy of the Registration Statement and our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, in each case, filed with or furnished to the SEC pursuant to the Exchange Act, on our website, [www.\[redacted\].com](http://www.[redacted].com) (which we expect to be operational on or prior to the Distribution Date), which we will make available free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

**Information contained on, or connected to, any website we refer to in this Information Statement does not and will not constitute a part of this Information Statement or the Registration Statement of which this Information Statement is a part.**

We intend to furnish holders of our common stock with annual reports containing financial statements prepared in accordance with GAAP and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

You should rely only on the information contained in this Information Statement or to which this Information Statement has referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this Information Statement.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of Vitesse Energy, Inc.

**Opinion on the Financial Statement**

We have audited the accompanying balance sheet of Vitesse Energy, Inc. (the "Company") as of August 5, 2022, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of August 5, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Denver, Colorado  
August 29, 2022

We have served as the Company's auditor since 2022.

**VITESSE ENERGY, INC.**

**Balance Sheet as of August 5, 2022**  
(in whole dollars)

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<b>Assets</b>	
Cash	\$ —
Total Assets	\$ —
<b>Liabilities and Stockholder's Equity</b>	
Liabilities	\$ —
Total Liabilities	\$ —
Commitments and Contingencies	
Stockholder's Equity	
Common stock, \$0.01 par value, 1,000 shares authorized; 1,000 shares issued and outstanding at August 5, 2022	\$ 10
Stock subscription receivable	(10)
Total Stockholder's Equity	\$ —
Total Liabilities and Stockholder's Equity	\$ —

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See notes to balance sheet

**VITESSE ENERGY, INC.**

**Notes to Balance Sheet**

**Note 1—Background and Nature of Operations**

Vitesse Energy, Inc. (the “Company”) was incorporated as a corporation under the General Corporation Law of the State of Delaware on August 5, 2022. The Company was formed for the purpose of effecting a “spin-off” transaction by Jefferies Financial Group Inc. (“Jefferies”). Prior to the spin-off, the Company will acquire all of the issued and outstanding equity interests of Vitesse Energy, LLC (“Vitesse Energy”) and Vitesse Oil, LLC, which together represent substantially all of those businesses or investments of Jefferies that acquire, develop, manage and monetize non-operated oil and natural gas working, royalty and mineral interests in the United States. Upon the completion of the spin-off, the Company will succeed to the operations of its predecessor, Vitesse Energy, and will become an independent, publicly traded company.

**Note 2—Basis of Presentation and Accounting**

The balance sheet is presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Separate statements of operations, comprehensive income, changes in stockholder’s equity, and cash flows have not been presented because there have been no operations since the Company was formed.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

**Note 3—Stockholder’s Equity**

As of August 5, 2022, the Company had 1,000 issued and outstanding shares of common stock, which were held by Vitesse Energy Finance LLC, an affiliate of Jefferies.

**Note 4—Subsequent Events**

The Company has evaluated subsequent events through August 29, 2022, the date of issuance.

**VITESSE ENERGY, LLC**  
**Condensed Consolidated Balance Sheets (Unaudited)**

(In thousands)	MAY 31, 2022	NOVEMBER 30, 2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,753	\$ 2,801
Revenue receivable	51,182	31,959
Commodity derivatives (Note 6)	—	1,513
Prepaid expenses and other current assets	228	148
Total current assets	53,163	36,421
Oil and Gas Properties—Using the successful efforts method of accounting (Note 2)		
Proved oil and gas properties	934,807	890,788
Less accumulated DD&A and impairment	(343,351)	(314,292)
Total oil and gas properties	591,456	576,496
Other Property and Equipment—Net	173	223
<b>Other Assets</b>		
Other noncurrent assets	2,414	988
Total other assets	2,414	988
Total assets	<u>\$ 647,206</u>	<u>\$ 614,128</u>
<b>Liabilities, Redeemable Units, and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,988	\$ 4,593
Accrued liabilities (Note 7)	24,177	18,617
Commodity derivatives (Note 6)	41,565	8,672
Other current liabilities	303	318
Total current liabilities	75,033	32,200
<b>Long-term Liabilities</b>		
Revolving credit facility (Note 5)	84,000	68,000
Unit-based compensation (Note 10)	33,220	8,352
Commodity derivatives (Note 6)	8,997	—
Asset retirement obligations	6,277	6,132
Other noncurrent liabilities	58	221
Total liabilities	207,585	114,905
Commitments and contingencies (Note 9)		
Redeemable Management Incentive Units (Note 10)	12,786	4,831
Members' Equity—common units—450,000 units outstanding	426,835	494,392
Total liabilities, redeemable units, and members' equity	<u>\$ 647,206</u>	<u>\$ 614,128</u>

See notes to condensed consolidated financial statements

**VITESSE ENERGY, LLC**  
**Condensed Consolidated Statements of Operations (Unaudited)**

(In thousands, except per share data)	FOR THE SIX MONTHS ENDED MAY 31,	
	2022	2021
<b>Revenue</b>		
Oil	\$ 111,523	\$ 65,927
Natural gas	29,016	9,582
Total revenue	140,539	75,509
<b>Operating Expenses</b>		
Production expense	22,234	21,280
Production taxes	10,732	6,170
General and administrative	6,526	5,075
Depletion, depreciation, amortization, and accretion	29,262	30,535
Unit-based compensation (Note 10)	24,868	887
Total operating expenses	93,622	63,947
<b>Operating Income</b>	46,917	11,562
<b>Other (Expense) Income</b>		
Commodity derivative loss, net	(68,902)	(27,469)
Interest expense	(1,624)	(1,755)
Other income	7	8
Total other (expense) income	(70,519)	(29,216)
<b>Net Loss</b>	\$ (23,602)	\$ (17,654)
Net loss per common unit—basic and diluted	\$ (0.05)	\$ (0.04)
Net income (loss) per non-founder MIUs classified as temporary equity—basic and diluted	\$ —	\$ —

See notes to condensed consolidated financial statements



**VITESSE ENERGY, LLC**  
**Condensed Consolidated Statements of Members' Equity (Unaudited)**

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<b>(In thousands)</b>	<b>MEMBERS' EQUITY</b>
Balance—December 1, 2020	\$ 489,808
Net loss	(17,654)
Fair market value MIU adjustment (Note 10)	(1,614)
Balance—May 31, 2021	470,540
Balance—December 1, 2021	494,392
Net loss	(23,602)
Distribution to common unit holders	(36,000)
Fair market value MIU adjustment (Note 10)	(7,955)
Balance—May 31, 2022	<u>\$ 426,835</u>

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See notes to condensed consolidated financial statements

**VITESSE ENERGY, LLC**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

(In thousands)	FOR THE SIX MONTHS ENDED MAY 31,	
	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net loss	\$(23,602)	\$ (17,654)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	29,262	30,535
Unrealized loss on derivative instruments	43,403	25,865
Unit-based compensation	24,868	887
Amortization of debt issuance costs	194	134
Changes in operating assets and liabilities that provided (used) cash:		
Revenue receivable	(19,224)	(7,717)
Prepaid expenses and other current assets	(80)	1,968
Accounts payable	879	(364)
Accrued liabilities	3,061	462
Other	(16)	(12)
Net cash provided by Operating Activities	58,746	34,104
<b>Cash Flows from Investing Activities</b>		
Acquisition of oil and gas properties	(18,127)	(365)
Development of oil and gas properties	(19,876)	(13,668)
Purchase of property and equipment	(8)	(95)
Net cash used in Investing Activities	(38,011)	(14,128)
<b>Cash Flows from Financing Activities</b>		
Proceeds from revolving credit facility	16,000	—
Repayments of revolving credit facility	—	(16,500)
Distributions	(36,000)	—
Debt issuance costs	(1,782)	(16)
Net cash used in Financing Activities	(21,782)	(16,516)
Net Increase (Decrease) in Cash	(1,047)	3,460
<b>Cash—Beginning of year</b>	<b>2,801</b>	<b>1,734</b>
<b>Cash—End of year</b>	<b>\$ 1,753</b>	<b>\$ 5,194</b>
<b>Supplemental Disclosure of Cash Flow Information—Cash paid for interest</b>	<b>\$ 1,439</b>	<b>\$ 1,587</b>
<b>Supplemental Disclosure of Noncash Activity</b>		
Oil and gas property included in accounts payable and accrued liabilities	\$ 21,190	\$ 17,507

See notes to condensed consolidated financial statements

**VITESSE ENERGY, LLC**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Note 1—Nature of Business**

Vitesse Energy, LLC (the “Company”), a Delaware limited liability company, was formed on April 29, 2014 and is currently governed by the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, LLC dated July 1, 2018, as amended by the First Amendment to the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, LLC dated February 18, 2020. The membership interests in the Company are held approximately 97.5% by affiliates of Jefferies Financial Group (“JFG”) and approximately 2.5% by 3B Energy, LLC (“3B”), an entity whose members are comprised of certain executives of the Company. JFG is currently contemplating a contribution of the Company to a newly formed entity controlled by an affiliate of JFG (“SpinCo”), whereby the securities of SpinCo held by JFG or its affiliates would be distributed pro rata to the shareholders of JFG. If the distribution is consummated, SpinCo would become an independent, publicly traded entity.

The business purpose of the Company is to acquire, own, explore, develop, manage, produce, exploit, and dispose of oil and gas properties. The Company is focused on acquiring nonoperated working interest and royalty interest ownership primarily in the core of the Bakken Field in North Dakota and Montana. The Company also owns nonoperated interests in oil and gas properties in Colorado and Wyoming.

**Note 2—Significant Accounting Policies**

***Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries, Vitesse Management Company LLC (“Vitesse Management”) and Vitesse Oil, Inc. Intercompany balances and transactions have been eliminated in consolidation.

***Basis of Presentation***

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes. Although these estimates are based on management’s best available knowledge of current and expected future events, actual results could differ from these estimates, which may be significantly impacted by various factors, including those outside of our control, such as the impact of a sustained deterioration in commodity prices and volumes, which would negatively impact our results of operations, financial condition and cash flows.

These unaudited condensed consolidated interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, these condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and note disclosures normally included in our annual financial statements prepared in accordance with GAAP have been condensed or omitted from these interim financial statements pursuant to such rules and regulations, although we believe the disclosures made are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended November 30, 2021.

The results of operations for the six months ended May 31, 2022 are not necessarily indicative of the results to be expected for the full year.

The Company operates in a single reportable segment. All of the Company’s operations are conducted in the continental United States.

***Oil and Gas Properties***

During six months ended May 31, 2022 and 2021, the Company recorded depletion expense of \$29.1 million and \$30.3 million, respectively. The Company’s depletion rate for the six months ended May 31, 2022 and 2021 was \$16.51 and \$16.99 per Boe, respectively.

The Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. The Company estimates the expected future cash flows of its oil and gas properties and compares such cash flows to the carrying amount of the proved oil and gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, the Company will adjust its proved oil and gas properties to estimated fair value. The factors used to estimate fair value include estimates of reserves, future commodity prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks. There were no proved oil and gas property impairments during the six months ended May 31, 2022 and 2021.

#### ***Unit-based Compensation***

In 2018, the Company amended the Limited Liability Company Agreement (the "Company Agreement") which modified certain terms and conditions related to management incentive units ("MIUs") (see Note 10) and common units held by the founding members of management. The Company is accounting for MIUs granted to employees (which excludes the founding members of management) as liability instruments under accounting guidance related to share-based compensation, whereby vested awards are recognized as liabilities, with changes in the estimated value of the awards recorded in earnings, until the holders have borne the risk of unit ownership, at which point the liability associated with the employee MIUs is reclassified to temporary equity, and changes in the estimated value of the employee MIUs are recorded as an adjustment to members' equity.

Incentive compensation is also recognized for in-substance call options granted to the founding members of management which are classified as liabilities, recorded at estimated fair market value at each period end. Changes in the estimated fair value are recorded in earnings. As the Company is a private entity whose units are not traded, we consider the average volatility of comparable entities to develop an estimate of expected volatility for our awards of unit-based compensation which results in a reasonable estimate of fair value. Refer to Note 10 for further information regarding these awards.

#### ***Revenue Recognition***

The Company's revenue is derived from the sale of its produced oil and natural gas from wells in which the Company has nonoperated revenue or royalty interests. The Company's oil and natural gas are produced and sold primarily in the core of the Bakken Field in North Dakota and Montana.

The sales of produced oil and natural gas are made under contracts that the operators of the wells have negotiated with customers, which typically include variable consideration based on monthly pricing tied to local indices and volumes delivered. Revenue is recorded at the point in time when control of the produced oil and natural gas transfers to the customer. Statements and payment may not be received via the operator of the wells for one to three months after the date the produced oil and natural gas is delivered, and, as a result, the amount of production delivered to the customer and the price that will be received for the sale of the product is estimated utilizing production reports, market indices, and estimated differentials. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated, and revenue due to the Company is recorded within revenue receivable in the accompanying consolidated balance sheet until payment is received. Differences between the estimated amounts and the actual amounts received from the sale of the produced oil and natural gas are recorded when known, which is generally when statements and payment are received. Such differences have historically been immaterial.

For the oil and natural gas produced from wells in which the Company has nonoperated revenue or royalty interests, the Company recognizes revenue based on the details included in the statements received from the operator. Any gathering, transportation, production taxes, and other deductions included on the statements are recorded based on the information provided by the operator. The Company does not disclose the value of unsatisfied performance obligations as it applies the practical exemption which applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required.

**Concentrations of Credit Risk**

For the six months ended May 31, 2022 and 2021, three and one operator(s) accounted for 37 percent and 13 percent of oil and natural gas revenue, respectively. As of May 31, 2022 and November 30, 2021, four operators accounted for 53 percent and 52 percent, respectively, of oil and natural gas revenue receivable.

The Company's oil and natural gas revenue receivable is generated from the sale of oil and natural gas by operators on its behalf. The Company monitors the financial condition of its operators.

**Deferred Finance Charges**

Costs associated with the revolving credit facility are deferred and amortized to interest expense over the term of the related financing. During the six months ended May 31, 2022, the Company incurred \$1.8 million in deferred financing costs. During the six months ended May 31, 2021, the Company incurred immaterial deferred financing costs.

**New Accounting Pronouncements**

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework—Changes to Disclosure Requirements for Fair Value Measurement. ASU No. 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The Company adopted ASU 2018-13 on December 1, 2021. The guidance did not have a significant impact on the consolidated financial statements or notes accompanying the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected credit related losses over the life of the financial asset at origination. This is different from the current practice, where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Company's year ending November 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period in which the new guidance is effective. Early adoption is permitted. The Company is evaluating the impact the new guidance will have on its consolidated financial statements and related disclosures.

**Subsequent Events**

The condensed consolidated interim financial statements and related disclosures include evaluation of events up through August 29, 2022, which is the date the consolidated interim financial statements were issued.

**Note 3—Asset Acquisitions**

During the six months ended May 31, 2022, the Company purchased a number of proved oil and gas properties and proved leaseholds for an aggregate purchase price of \$18.1 million. The transactions qualified as asset acquisitions; therefore, the oil and gas properties were recorded based on the fair value of the total consideration transferred on the acquisition dates, and transaction costs were capitalized as a component of the assets acquired. Transaction costs during the six months ended May 31, 2022 were immaterial. The purpose of the acquisitions was to acquire proved developed and proved undeveloped oil and gas properties that were proximate and complementary to existing properties and leases for strategic purposes.

**Note 4—Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates, yield curves, and forward commodity price curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. Significant Level 3 inputs include estimated future cash flows used in determining the fair value of purchased oil and gas properties.

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

**Recurring Fair Value Measurements**

As of May 31, 2022, the Company's derivative financial instruments are composed of commodity swaps. The fair value of the swap agreements is determined under the income valuation technique using a discounted cash flow model, which requires a variety of inputs, including contractual terms, published forward commodity prices, and discount rates, as appropriate. The Company's estimates of fair value of derivatives include consideration of the counterparty's creditworthiness, the Company's creditworthiness, and the time value of money. The consideration of these factors results in an estimated exit price for each derivative asset or liability under a marketplace participant's view. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's commodity derivative instruments are included within Level 2 of the fair value hierarchy (see Note 6).

**Financial Instruments Not Measured at Fair Value**

The carrying amounts of the majority of the Company's financial instruments, namely cash, receivables, accounts payable, and accrued liabilities, approximate their fair values due to the short-term nature of these instruments. The Company's credit facility (see Note 5) has a recorded value that approximates fair market value, as it bears interest at a floating rate that approximates a current market rate. The fair values of derivative instruments are estimated based on market conditions in effect at the end of each reporting period.

**Note 5—Credit Facility**

In May 2015, the Company entered into a credit facility (the "Credit Facility") with a syndicate of banks (the "Lenders") led by Wells Fargo Bank, N.A. (the "Administrative Agent") with the Company as the borrower (the "Borrower"), which originally matured in May 2020. The Credit Facility has been subsequently amended, and the maturity date has been extended to April 2026. The most recent amendment was executed in April 2022. The Credit Facility specifies an aggregate maximum credit amount equal to \$500.0 million and a maximum borrowing base, as determined by the Lenders. The determination of the borrowing base takes into consideration the estimated value of the Company's oil and gas properties in accordance with the Lenders' customary practices for oil and gas loans. The borrowing base is subject to scheduled redeterminations on a semiannual basis. The amount available for borrowing could be increased or decreased as a result of such redeterminations. Under certain circumstances, the Borrower and the Lenders shall each have the option to request one unscheduled borrowing base redetermination per fiscal year. As of May 31, 2022 and November 30, 2021, the Company's borrowing base was \$200.0 million and \$140.0 million, respectively, of which \$84.0 million and \$68.0 million, respectively, was outstanding.

At the Company's option, borrowings under the Credit Facility bear interest at either an adjusted forward-looking term rate based on the Secured Overnight Financing Rate ("SOFR") or an adjusted base rate ("Base Rate") (the highest of the Administrative Agent's prime rate, the Federal Funds rate plus 0.50% or the 30-day SOFR rate plus 1.0%), plus a spread ranging from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to SOFR borrowings, in each case based on the borrowing base utilization percentage. Additionally, the Company incurs an unused credit facility fee of 0.500 percent regardless of the borrowing base utilization percentage. As of May 31, 2022, the interest rate on the outstanding balance under the Credit Facility was 4.13 percent.

The Credit Facility includes customary terms and covenants that place limitations on certain types of activities, including the payment of dividends and distributions, and requires satisfaction of certain financial covenants, such as minimum leverage and current ratios. The Credit Facility also requires excess cash at any point in time over

\$10.0 million to be repaid to the Borrowers, subject to the terms in the Credit Facility. The Company was in compliance with all financial covenants of the Credit Facility at May 31, 2022. The Credit Facility is guaranteed by the Company's subsidiaries and is collateralized with a minimum of 85 percent of the proved PV10 reserve value of the Company's oil and gas properties.

In addition, the Credit Facility places additional conditions on the ability of the founding members of management to put their common units back to the Company (see Note 10). These conditions include the establishment of maximum percentages of debt outstanding relative to the existing borrowing base and pro forma debt to earnings before interest, taxes, depletion, depreciation, amortization, and exploration expense ("EBITDAX") ratios, as defined in the Credit Facility, at the date of the permitted exercise.

**Note 6—Derivative Instruments**

The Company periodically enters into various commodity hedging instruments to mitigate a portion of the effect of oil and natural gas price fluctuations. The Company classifies the fair value amounts of commodity derivative assets and liabilities as current or noncurrent commodity derivative assets or current or noncurrent commodity derivative liabilities, whichever the case may be.

The following table summarizes the location and fair value amounts of commodity derivative instruments in the consolidated balance sheet as of May 31, 2022, as well as the gross recognized derivative assets, liabilities, and amounts offset in the condensed consolidated balance sheet:

(In thousands)	GROSS RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES	GROSS AMOUNTS OFFSET	NET RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES
<b>Commodity derivative liabilities:</b>			
Current derivative liabilities	\$ 41,565	\$ —	\$ 41,565
Noncurrent derivative liabilities	\$ 8,997	\$ —	\$ 8,997
Total	<u>\$ 50,562</u>	<u>\$ —</u>	<u>\$ 50,562</u>

The following table summarizes the location and fair value amounts of commodity derivative instruments in the consolidated balance sheet as of November 30, 2021, as well as the gross recognized derivative assets, liabilities, and amounts offset in the consolidated balance sheet:

(In thousands)	GROSS RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES	GROSS AMOUNTS OFFSET	NET RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES
<b>Commodity derivative assets:</b>			
Current derivative assets	\$ 1,513	\$ —	\$ 1,513
Total	<u>\$ 1,513</u>	<u>\$ —</u>	<u>\$ 1,513</u>
<b>Commodity derivative liabilities:</b>			
Current derivative liabilities	\$ 8,672	\$ —	\$ 8,672
Total	<u>\$ 8,672</u>	<u>\$ —</u>	<u>\$ 8,672</u>

As of May 31, 2022, the Company had the following crude oil swaps:

CONTRACT	TYPE	TERM	VOLUME HEDGED (Bbls)	INDEX	ROUNDED FIXED PRICE
1	Swap	June 2022 - November 2022	150,000	WTI-NYMEX	\$ 51
2	Swap	June 2022 - November 2022	180,000	WTI-NYMEX	49
3	Swap	June 2022 - November 2022	180,000	WTI-NYMEX	65
4	Swap	June 2022 - November 2022	180,000	WTI-NYMEX	71
5	Swap	December 2022 - November 2023	360,000	WTI-NYMEX	70
6	Swap	December 2022 - November 2023	360,000	WTI-NYMEX	78
7	Swap	December 2022 - November 2023	180,000	WTI-NYMEX	86
8	Swap	December 2022 - November 2023	180,000	WTI-NYMEX	88
9	Swap	December 2023 - November 2024	360,000	WTI-NYMEX	72
10	Swap	December 2023 - November 2024	180,000	WTI-NYMEX	79
11	Swap	December 2023 - November 2024	180,000	WTI-NYMEX	81

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

The counterparties in the Company's derivative instruments also participate in the Company's Credit Facility; accordingly, the Company is not required to post collateral, as the counterparties have the right of offset for any derivative liabilities, and the Credit Facility is secured by the Company's oil and gas assets. For further discussion related to the fair value of the Company's derivatives, see Note 4.

#### Note 7—Accrued Liabilities

Accrued liabilities at May 31, 2022 and November 30, 2021 are summarized as follows:

(In thousands)	MAY 31, 2022	NOVEMBER 30, 2021
Accrued capital expenditures	\$ 14,000	\$ 11,500
Accrued lease operating expenses, net	1,943	1,270
Accrued compensation	1,438	2,714
Accrued derivative settlement	5,974	2,450
Other accrued liabilities	822	683
Total	<u>\$ 24,177</u>	<u>\$ 18,617</u>

#### Note 8—Related Party Transactions

3B acquired common units in the Company which were funded by two Initial Loans with related parties (see Note 13). As part of the funding of the Company, 3B entered into two different promissory notes with VE Holding LLC, an entity owned by JFG. The promissory notes allowed 3B to borrow up to \$7.875 million and \$3.5 million, initially accruing interest at 10.0 percent and 3.5 percent, respectively, and had maturity dates of May 7, 2021 (the "Initial Loans"). Initially, repayment of the \$3.5 million promissory note was fully guaranteed by one of the members of 3B. Each of the two Initial Loans are collateralized by all of the common units held by 3B. In 2020 the \$3.5 million promissory note was amended to remove the guarantee, change the interest rate to 10.0 percent and extend the maturity date to December 31, 2023. At the same time the \$7.875 million promissory note was amended to extend the maturity date to December 31, 2023. The Initial Loans between 3B and VE Holding LLC are held outside of the Company and are not a liability of the Company. During 2021, a \$12.0 million ratable distribution was made to the common unit holders. The 3B distribution of \$0.3 million was used to pay down a pro rata portion of the outstanding interest on the Initial Loans.



In connection with the Company Agreement, in July 2018 certain executives entered into two separate promissory notes aggregating to \$10.0 million with VE Holding LLC (the "2018 Notes"), which are collateralized by the MIUs granted to the respective executive. The 2018 Notes accrue interest at 3.0 percent per annum payable annually on December 31 and mature the earlier of July 1, 2024, an MIU exchange, or an acceleration event (as defined). The 2018 Notes may be prepaid at any time but are subject to mandatory prepayment upon the issuance of any distributions from the Company related to the MIUs held by such executives. Additionally, the 2018 Notes were considered full recourse to each respective executive for a limited time, with such recourse reduced by one-third each December 31 through 2020. As the 2018 Notes are between VE Holding LLC and the executives, they do not represent liabilities of the Company.

The Company has entered into an amended and restated services agreement (the "Services Agreement") by and between the Company, Vitesse Management, and Vitesse Oil, LLC ("Vitesse Oil") on May 7, 2014. Vitesse Oil is an entity with management common to that of the Company. Per the Services Agreement, costs incurred by Vitesse Management was to be allocable between the Company and Vitesse Oil initially at 50 percent each and adjusted automatically each quarter, such that the Company's share of allocable costs shall be the greater of 50 percent or the quotient of the total contributed capital to the Company made by its members and the sum of the total contributed capital to the Company and Vitesse Oil by their respective members. As such, the Company incurred 90 percent of the Vitesse Management costs for the six months ended May 31, 2022 and 2020. The amount of costs reimbursed from Vitesse Oil to the Company for management services was \$0.7 million and \$0.6 million for the six months ended May 31, 2022 and 2021, respectively. The amount due to the Company from Vitesse Oil as of May 31, 2022 and 2021 was immaterial.

On July 1, 2016, the Company entered into a separate services agreement between Vitesse Management and JETX Energy, LLC ("JETX"), formerly known as Juneau Energy, LLC, another entity owned by JFG with common management. Per this services agreement, Vitesse Management is to provide JETX certain administrative services and supervise, administer, and manage the business affairs and operations of JETX and its subsidiaries for a service provider fee of \$0.2 million per month. The term of this service agreement extends for an unlimited amount of time; however, it is subject to termination by either Vitesse Management or JETX if provided written consent following the first anniversary or a final exit event. During each of the six months ended May 31, 2022 and 2021, the Company received its net share of fees from JETX of approximately \$1.2 million, which is classified as a reduction to general and administrative expenses on the accompanying condensed consolidated statements of operations.

#### **Note 9—Commitments and Contingencies**

##### ***Litigation***

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this report, management of the Company was unaware of any material legal proceedings against the Company. The Company maintains insurance to cover certain actions.

#### **Note 10—Members' Equity and Unit-Based Compensation**

The Company has two classes of membership units, with the following units authorized, issued, and outstanding as of May 31, 2022 and November 30, 2021:

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	<u>AUTHORIZED</u>	<u>ISSUED AND OUTSTANDING</u>
Common units	450,000,000	450,000,000
Management incentive units	1,000,000	953,750

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### **Common Units**

Common units issued to date have been issued at \$1 per unit, with an aggregate capital commitment from all common members of \$450 million. There initially shall be five managers on the board of managers, with three managers designated by JFG (such designated managers are each a "Jefferies Manager") and two managers designated by 3B. For voting purposes, each manager is entitled to one vote, and the affirmative vote of a majority of the board of managers, including at least one Jefferies Manager, is required to ratify any significant decisions of the Company.

Certain executives of the Company, as a result of their ownership of 3B, were granted the right to put all of their common units back to the Company in exchange for their pro rata share of the oil and gas interests then owned by the Company beginning in May 2017 (the "Common Unit Exchange Option"). In connection with the Company Agreement, the terms of the Common Unit Exchange Option were modified, where it may only be exercised on January 1, 2021 or on the annual anniversary thereafter and subject to additional conditions. Such conditions include, but are not limited to, that the Company is not in the process of an initial public offering; common unit holders have either received distributions resulting in, or the fair value of the Company's net assets are such that the Company would achieve, a specified rate of return ("Flip Threshold"); and 3B reimburses the common unit holders for its pro rata share of liabilities in excess of cash balances at the time of exercise. Further, 3B must discharge any principal and interest outstanding related to the Initial Loans. As a result of the Common Unit Exchange Option resulting in the transfer of a portion of the oil and gas interests in proportion to 3B's percentage holding of the common units, the Common Unit Exchange Option is considered to be a transaction that does not occur at fair market value. Through the issuance date of these financial statements the Common Unit Exchange Option has not been exercised.

In addition to the Common Unit Exchange Option, in the event of termination of any or both of the executives that hold common units, the Company has the option to repurchase the common units held by 3B in exchange for cash (the "Common Unit Call Option"). The Common Unit Call Option would be executed at fair market value on the date of the transaction.

As a result of 3B's receipt of in-substance nonrecourse notes (the "Initial Loans") that are each collateralized by all of the common units held by 3B, for accounting purposes the Company has granted 3B an in-substance call option that is within the scope of accounting guidance related to share-based compensation (the "Common Unit Option Grant"), which was fully vested on the date of grant in 2014. Due to the nature and terms of the Common Unit Exchange Option described above, the Common Unit Option Grant is classified as a liability award, remeasured at fair market value at each reporting date with the change in fair market value recorded to earnings. As of May 31, 2022, the aggregate intrinsic value of the Common Unit Option Grant, which is both outstanding and exercisable, is \$5.0 million.

### **Management Incentive Units**

Management incentive units may be issued by the Company to eligible employees and/or consultants. All MIUs are nonvoting and provide the MIU holders the opportunity to participate in distributions after the common unit holders have received a return equal to the Flip Threshold (as defined). In connection with the Company Agreement, the terms and conditions of the MIUs were modified from the Company's original LLC agreement. Such modifications included, but were not limited to, a reset and change in the Flip Threshold, as well as changes to specific terms and conditions of MIU holder put rights and Company call rights.

MIUs have been granted to the founding members of management ("Founder MIUs") and certain other employees of the Company ("Non-Founder MIUs"). Holders of Non-Founder MIUs may put at least 25 percent of their vested MIUs to the Company for cash at estimated fair market value as of the date of the transaction, on or after January 1, 2022, subject to conditions that include, but are not limited to, continued employment and no pending initial public offering (the "Non-Founder MIU Put Option"). Holders of the Founder MIUs may put at least 10 percent of their vested MIUs to the Company on or after January 1, 2021 for either (1) cash at estimated fair market value as of the date of the transaction or (2) interests in the Company's oil and gas properties with a fair market value equal to the fair market value of the MIU as of the date of the transaction, subject to conditions that include, but are not limited to, the Company is not in the process of an initial public offering; common unit holders have either received

distributions resulting in, or the fair value of the Company's net assets are such that the common unit holders would achieve the Flip Threshold, and the 2018 Notes have been repaid or are to be repaid out of proceeds from the exercise of the put option (the "Founder MIU Put Option"). In addition, the Company has the right to repurchase Founder MIUs and Non-Founder MIUs at fair market value upon the termination of employment for any reason (the "MIU Call Option"). With respect to the Flip Threshold, as of April 2018 management determined that the achievement of the Flip Threshold was probable. Through the issuance date of these financial statements none of the Founder MIU Put Options, the Non-Founder MIU Put Options, or the MIU Call Option have been exercised.

All MIUs are subject to vesting requirements and forfeiture provisions specific to the Founder MIUs and Non-Founder MIUs, as outlined in the Company Agreement, employment agreement, grant letters, and other supporting MIU documentation. All unvested MIUs vest upon a final exit event (as defined), and are cancelled in the event of termination of the grantee. In the event of termination for Cause (as defined) all vested MIUs are forfeited for no consideration.

The Company accounts for Non-Founder MIUs as liability-based awards until the respective holder has borne the risk of unit ownership, at which point the value of the liability is reclassified outside of permanent equity. While the awards are classified as liabilities, compensation expense is recorded through the vesting period, and changes in the estimated fair market value of the liability, are recorded in earnings. Once reclassified outside of permanent equity increases in the estimated fair market value of the award are recorded through members' equity. During the six months ended May 31, 2022 and 2021, the Company recorded a reduction of \$1.6 million and \$8.0 million respectively, through members' equity to adjust the Non-Founder MIUs to fair market value.

A summary of the Company's activity related to Non-Founder MIUs for the six months ended May 31, 2022 and 2021 is presented below:

	2022	2021
Nonvested at period end	41,250	57,500
Granted during the period	—	—
Vested during the period	3,750	25,000
Forfeited during the period	—	—
Fair value of MIUs vested during the period	\$ 0.2 million	\$ 0.5 million

As of May 31, 2022, there was \$2.3 million of total unrecognized compensation cost related to nonvested unit-based compensation arrangements. That cost is expected to be recognized through June 2024, over a weighted-average period of 1.0 years.

As a result of each of the management founders' receipt of an in-substance nonrecourse note (the 2018 Notes) that are each collateralized by all of Founder MIUs held by the respective executive, for accounting purposes the Company has granted each of the management founders an in-substance call option that is within the scope of accounting guidance related to share-based compensation (the "Founder MIU Option Grant"). Due to the nature and terms of the Founder MIU Put Option described above, the Founder MIU Option Grant is classified as a liability award, remeasured at fair market value at each reporting date with the change in fair market value recorded to earnings. As of May 31, 2022, the aggregate intrinsic value of the Founder MIU Option Grant, which is both outstanding and exercisable, is \$27.1 million.

Total compensation cost recognized in the condensed consolidated statements of operations within Unit-based compensation for the six months ended May 31, 2022 and 2021 is as follows:

(In thousands)	FOR THE SIX MONTHS ENDED MAY 31,	
	2022	2021
Common Unit Option Grant	\$ 4,436	\$ (284)
Founder MIU Option Grant	19,710	812
Non-Founder MIUs	722	359
Total	\$ 24,868	\$ 887

The liability recorded in the consolidated balance sheets within Unit-based compensation as of May 31, 2022 and November 30, 2021 is as follows:

(In thousands)	MAY 31, 2022	NOVEMBER 30, 2021
	Common Unit Option Grant	\$ 6,142
Founder MIU Option Grant	26,220	6,510
Non-Founder MIUs	858	136
Total	\$ 33,220	\$ 8,352

**Measurement of unit-based compensation**

The Company records the Non-founder MIUs, Founder MIU Option Grant, and Common Unit Option Grant at fair value at the date of grant and at each balance sheet date, which results in compensation cost being measured at fair value. As noted above, vested Non-founder MIUs, where the respective holder has borne the risk of ownership, are recorded within temporary equity, with changes in fair value recorded within members' equity.

The fair value of each of the Founder MIU Option Grant and the Common Unit Option Grant (collectively "the Options") are estimated using a Black Scholes Model that uses the assumptions noted in the following tables. As the Company doesn't have publicly-traded equity we incorporated data from a group of publicly-traded peer companies when estimating fair value, and because when estimating fair value management incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on the historical volatility of our identified peer group of companies. The expected term of the Options is determined based on the time to exit/liquidity event. The risk-free rate for periods within the expected life of the option is interpolated from the US constant maturity treasury rate, for a term corresponding to the expected term.

	MAY 31, 2022	NOVEMBER 30, 2021
Founder MIU Option Grant		
Expected volatility	120%	125% - 170%
Weighted-average volatility	120%	150%
Expected dividends/distributions	0%	0%
Expected term (in years)	0.4	1
Risk-free rate	1.48%	0.24%

	MAY 31, 2022	NOVEMBER 30, 2021
<b>Common Unit Option Grant</b>		
Expected volatility	50%	50%
Weighted-average volatility	50%	50%
Expected dividends/distributions	0%	0%
Expected term (in years)	0.4	1
Risk-free rate	1.48%	0.24%

#### **Distributions**

Distributions of funds associated with common units follow a prescribed framework, which is outlined in detail in the Company Agreement. In general, distributions are first allocated to those unitholders based on their allocable share, as defined in the Company Agreement. Each unitholder will then receive a distribution in accordance with the tiered waterfall, as defined in the Company Agreement. The Company made \$36.0 million of distributions on common units during the six months ended May 31, 2022.

#### **Earnings Per Unit**

We have two classes of equity in the form of common units and MIUs that are vested and where the holder has borne the risks and rewards of ownership at which point the MIU is reclassified from liabilities to outside of permanent equity. Both common units and temporary equity classified MIUs are considered common units, and distributions are made in accordance with the Company Agreement. As such, we present earnings per unit ("EPU") for both classes of equity. In calculating EPU we apply the two-class method. Under the two-class method net income (loss) attributable to common units is allocated to common units and other participating securities in proportion to the claim on earnings of each participating security after giving effect to distributions declared during the period, if any.

The following table sets forth the computation of basic and diluted net income (loss) per unit:

	FOR THE SIX MONTHS ENDED MAY 31,	
	2022	2021
<b>Common Units</b>		
Net income (loss)	(23,602)	(17,654)
less: income allocable to participating securities		
In-substance options on common units (Common Unit Option Grant)	—	—
In-substance options on Founder MIUs (Founder MIU Option Grant)	—	—
Non-Founder MIUs classified as temporary equity	—	—
Non-Founder MIUs classified as liabilities	—	—
Net income (loss) attributable to common unitholders	<u>(23,602)</u>	<u>(17,654)</u>
Weighted Average Common Units Outstanding (in 000s)	450,000	450,000
less: Common Units accounted for as in-substance options	<u>(11,375)</u>	<u>(11,375)</u>
Weighted Average Common Units Outstanding (in 000s)	<u>438,625</u>	<u>438,625</u>
<b>Basic and Diluted EPU</b>	\$ (0.05)	\$ (0.04)
<b>Temporary Equity Classified MIUs</b>		
Income allocable to Non-Founder MIUs classified as temporary equity	\$ —	\$ —
MIUs classified in temporary equity (in 000s)	234	196
<b>Basic and Diluted EPU</b>	\$ —	\$ —

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of Vitesse Energy, LLC

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Vitesse Energy, LLC and subsidiaries (the "Company") as of November 30, 2021 and 2020, the related consolidated statements of operations, members' equity, and cash flows, for each of the three years in the period ended November 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Denver, Colorado  
August 29, 2022

We have served as the Company's auditor since 2021.

**VITESSE ENERGY, LLC**  
**Consolidated Balance Sheets**

(In thousands)	NOVEMBER 30,	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,801	\$ 1,734
Revenue receivable	31,959	15,999
Commodity derivatives (Note 6)	1,513	9,223
Prepaid expenses and other current assets	148	2,176
Total current assets	36,421	29,132
Oil and Gas Properties—Using the successful efforts method of accounting (Note 2)		
Proved oil and gas properties	890,788	847,809
Less accumulated DD&A and impairment	(314,292)	(253,851)
Total oil and gas properties	576,496	593,958
Other Property and Equipment—Net	223	233
<b>Other Assets</b>		
Commodity derivatives (Note 6)	—	2,305
Other noncurrent assets	988	1,502
Total other assets	988	3,807
Total assets	\$ 614,128	\$ 627,130
<b>Liabilities, Redeemable Units, and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,593	\$ 9,305
Accrued liabilities (Note 7)	18,617	12,717
Commodity derivatives (Note 6)	8,672	—
Other current liabilities	318	351
Total current liabilities	32,200	22,373
<b>Long-term Liabilities</b>		
Revolving credit facility (Note 5)	68,000	98,500
Unit-based compensation (Note 13)	8,352	7,579
Asset retirement obligations (Note 8)	6,132	5,666
Other noncurrent liabilities	221	539
Total liabilities	114,905	134,657
<b>Commitments and contingencies</b> (Note 12)		
<b>Redeemable Management Incentive Units</b> (Note 13)	4,831	2,665
<b>Members' Equity—common units—450,000 units outstanding</b>	494,392	489,808
Total liabilities, redeemable units, and members' equity	\$ 614,128	\$ 627,130

See notes to consolidated financial statements

**VITESSE ENERGY, LLC**  
**Consolidated Statements of Operations**

(In thousands, except per share data)	FOR THE YEARS ENDED		
	NOVEMBER 30,		
	2021	2020	2019
<b>Revenue</b>			
Oil	\$ 151,838	\$ 91,542	\$ 157,112
Natural gas	33,340	5,688	14,189
Total revenue	185,178	97,230	171,301
<b>Operating Expenses</b>			
Production expense	43,910	41,732	42,875
Production taxes	14,535	9,173	15,572
General and administrative	10,581	9,196	7,957
Depletion, depreciation, amortization, and accretion	60,846	58,307	64,721
Impairment of proved oil and gas properties (Note 2)	—	13,200	—
Unit-based compensation (Note 13)	1,409	(544)	3,295
Total operating expenses	131,281	131,063	134,420
<b>Operating Income (Loss)</b>	53,897	(33,833)	36,881
<b>Other (Expense) Income</b>			
Commodity derivative (loss) gain, net	(32,590)	29,633	3,778
Interest expense	(3,207)	(4,679)	(4,825)
Other income	14	22	54
Total other (expense) income	(35,783)	24,976	(993)
<b>Net Income (Loss)</b>	\$ 18,114	\$ (8,857)	\$ 35,888
Net income (loss) per common unit—basic and diluted	\$ 0.04	\$ (0.02)	\$ 0.08
Net income (loss) per non-founder MIUs classified as temporary equity—basic and diluted	\$ —	\$ —	\$ —

See notes to consolidated financial statements



**VITESSE ENERGY, LLC**  
**Consolidated Statements of Members' Equity**

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<b>(In thousands)</b>	<b>MEMBERS' EQUITY</b>
Balance—December 1, 2018	\$ 487,015
Net income	35,888
Distribution to common unit holders	(25,000)
Fair market value MIU adjustment (Note 13)	(271)
Balance—November 30, 2019	497,632
Net loss	(8,857)
Fair market value MIU adjustment (Note 13)	1,033
Balance—November 30, 2020	489,808
Net income	18,114
Distribution to common unit holders	(12,000)
Fair market value MIU adjustment (Note 13)	(1,530)
Balance—November 30, 2021	<u>\$ 494,392</u>

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See notes to consolidated financial statements

**VITESSE ENERGY, LLC**  
**Consolidated Statements of Cash Flows**

(In thousands)	FOR THE YEARS ENDED NOVEMBER 30,		
	2021	2020	2019
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ 18,114	\$ (8,857)	\$ 35,888
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion, depreciation, amortization, and accretion	60,846	58,307	64,721
Unrealized loss (gain) on derivative instruments	18,687	(2,472)	280
Realized gain on derivative instruments related to early settlement of contract	—	—	(591)
Unit-based compensation	1,409	(544)	3,295
Amortization of debt issuance costs	276	362	281
Impairment of proved oil and gas properties	—	13,200	—
Changes in operating assets and liabilities that provided (used) cash:			
Revenue receivable	(15,959)	18,663	(4,116)
Prepaid expenses and other current assets	1,921	(1,303)	(605)
Accounts payable	(997)	(524)	2,405
Accrued liabilities	2,700	(548)	(373)
Other	(26)	25	9
Net cash provided by Operating Activities	86,971	76,309	101,194
<b>Cash Flows from Investing Activities</b>			
Acquisition of oil and gas properties	(6,210)	(9,234)	(5,094)
Development of oil and gas properties	(36,986)	(61,486)	(99,143)
Purchase of property and equipment	(121)	(113)	(183)
Other	—	25	53
Net cash used in Investing Activities	(43,317)	(70,808)	(104,367)
<b>Cash Flows from Financing Activities</b>			
Proceeds from revolving credit facility	1,000	10,000	33,000
Repayments of revolving credit facility	(31,500)	(15,500)	(8,000)
Distributions	(12,000)	—	(25,000)
Debt issuance costs	(87)	(28)	(41)
Net cash used in Financing Activities	(42,587)	(5,528)	(41)
Net Increase (Decrease) in Cash	1,067	(27)	(3,214)
Cash—Beginning of year	1,734	1,761	4,975
Cash—End of year	\$ 2,801	\$ 1,734	\$ 1,761
<b>Supplemental Disclosure of Cash Flow Information—Cash paid for interest</b>	\$ 2,896	\$ 4,376	\$ 4,504
<b>Supplemental Disclosure of Noncash Activity</b>			
Oil and gas properties included in accounts payable and accrued liabilities	\$ 15,174	\$ 15,690	\$ 41,452
Asset retirement obligations capitalized to oil and gas properties	192	338	324
Unit-based compensation liability transferred to redeemable management incentive units	636	655	2,773

See notes to consolidated financial statements

**VITESSE ENERGY, LLC**

**Notes to the Consolidated Financial Statements**

**Note 1—Nature of Business**

Vitesse Energy, LLC (the “Company”), a Delaware limited liability company, was formed on April 29, 2014 and is currently governed by the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, LLC dated July 1, 2018, as amended by the First Amendment to the Second Amended and Restated Limited Liability Company Agreement of Vitesse Energy, LLC dated February 18, 2020. The membership interests in the Company are held approximately 97.5% by affiliates of Jefferies Financial Group (“JFG”) and approximately 2.5% by 3B Energy, LLC (“3B”), an entity whose members are comprised of certain executives of the Company. JFG is currently contemplating a contribution of the Company to a newly formed entity controlled by an affiliate of JFG (“SpinCo”), whereby the securities of SpinCo held by JFG or its affiliates would be distributed pro rata to the shareholders of JFG. If the distribution is consummated, SpinCo would become an independent, publicly traded entity.

The business purpose of the Company is to acquire, own, explore, develop, manage, produce, exploit, and dispose of oil and gas properties. The Company is focused on acquiring nonoperated working interest and royalty interest ownership primarily in the core of the Bakken Field in North Dakota and Montana. The Company also owns nonoperated interests in oil and gas properties in Colorado and Wyoming.

**Note 2—Significant Accounting Policies**

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, Vitesse Management Company LLC (“Vitesse Management”) and Vitesse Oil, Inc. Intercompany balances and transactions have been eliminated in consolidation.

***Segment and Geographic Information***

The Company operates in a single reportable segment. The Company’s chief operating decision maker is the Chief Executive Officer. All of the Company’s operations are conducted in the continental United States.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Depletion, depreciation, and amortization (“DD&A”) and the evaluation of proved oil and gas properties for impairment are determined using estimates of oil and gas reserves. There are numerous uncertainties in estimating the quantity of reserves and in projecting the future rates of production and timing of development expenditures, which includes lack of control over future development plans as a non-operator. Oil and gas reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way. In addition, significant estimates include, but are not limited to, estimates relating to certain crude oil and natural gas revenues and expenses, fair value of assets acquired and liabilities assumed under business combinations, valuation of unit-based compensation, and valuation of commodity derivative instruments. Further, these estimates and other factors, including those outside of the Company’s control, such as the impact of lower commodity prices, may have a significant adverse impact to the Company’s business, financial condition, results of operations and cash flows.

***Cash and Cash Equivalents***

The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents. As of the consolidated balance sheet date and periodically throughout the year, balances of cash exceeded the federally insured limit. As of November 30, 2021 and 2020 the Company held no cash equivalents.

### ***Oil and Gas Properties***

The Company follows the successful efforts method of accounting for oil and gas activities. Under this method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvage values, using the units-of-production method on the basis of a reasonable aggregation of properties within a common geological structural feature or stratigraphic condition, such as a reservoir or field. The Company's proved oil and gas reserve information was computed by applying the average first-day-of-the-month oil and gas price during the 12-month period ended on the balance sheet date. During the years ended November 30, 2021, 2020 and 2019, the Company recorded depletion expense of \$60.4 million, \$58.0 million and \$64.4 million, respectively. The Company's depletion rate for the years ended November 30, 2021, 2020 and 2019 was \$16.73, \$16.40 and \$16.45 per Boe, respectively.

Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred. The sale of a partial interest in a proved property is accounted for as a cost recovery, and no gain or loss is recognized as long as this treatment does not significantly affect the units-of-production amortization rate. A gain or loss is recognized for all other sales of proved properties.

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

The Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. The Company estimates the expected future cash flows of its oil and gas properties and compares such cash flows to the carrying amount of the proved oil and gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, the Company will adjust its proved oil and gas properties to estimated fair value. The factors used to estimate fair value include estimates of reserves, future commodity prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks. There were no proved oil and gas property impairments during the years ended November 30, 2021 and 2019. Proved oil and gas property impairments during the year ended November 30, 2020 were \$13.2 million and were related to the Company's Wyoming properties.

### ***Asset Retirement Obligations (AROs)***

AROs relate to estimated plugging and abandonment costs of oil and gas properties, including facilities, and the reclamation of the Company's well locations. The Company records the fair value of an ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes an estimated cost by increasing the carrying amount of proved oil and gas properties. Over time, the liability is accreted each period toward an estimated future cost, and the capitalized cost is depleted. The Company uses the income valuation technique to estimate the fair value of AROs using the amounts and timing of expected future dismantlement costs, credit-adjusted risk-free rates, and the time value of money. For business combinations, the valuation utilizes a discount rate commensurate with what a market participant would use for AROs recorded. Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives or if federal or state regulators enact new requirements regarding the abandonment of wells. Adjustments to the liability are made as these estimates change. Upon settlement of the liability, the Company reports a gain or loss to the extent the actual costs differ from the recorded liability.

### ***Unit-based Compensation***

In 2018, the Company amended the Limited Liability Company Agreement (the "Company Agreement") which modified certain terms and conditions related to management incentive units ("MIUs") (see Note 13) and common units held by the founding members of management. The Company is accounting for MIUs granted to employees (which excludes the founding members of management) as liability instruments under accounting guidance related to share-based compensation, whereby vested awards are recognized as liabilities, with changes in the estimated

value of the awards recorded in earnings, until the holders have borne the risk of unit ownership, at which point the liability associated with the employee MIUs is reclassified to temporary equity, and changes in the estimated value of the employee MIUs are recorded as an adjustment to members' equity.

Incentive compensation is also recognized for in-substance call options granted to the founding members of management which are classified as liabilities, recorded at estimated fair market value at each period end. Changes in the estimated fair value are recorded in earnings. As the Company is a private entity whose units are not traded, we consider the average volatility of comparable entities to develop an estimate of expected volatility for our awards of unit-based compensation which results in a reasonable estimate of fair value. Refer to Note 13 for further information regarding these awards.

**Revenue Recognition**

The Company's revenue is derived from the sale of its produced oil and natural gas from wells in which the Company has nonoperated revenue or royalty interests. The Company's oil and natural gas are produced and sold primarily in the core of the Bakken Field in North Dakota and Montana.

The sales of produced oil and natural gas are made under contracts that the operators of the wells have negotiated with customers, which typically include variable consideration based on monthly pricing tied to local indices and volumes delivered. Revenue is recorded at the point in time when control of the produced oil and natural gas transfers to the customer. Statements and payment may not be received via the operator of the wells for one to three months after the date the produced oil and natural gas is delivered, and, as a result, the amount of production delivered to the customer and the price that will be received for the sale of the product is estimated utilizing production reports, market indices, and estimated differentials. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated, and revenue due to the Company is recorded within revenue receivable in the accompanying consolidated balance sheet until payment is received. Differences between the estimated amounts and the actual amounts received from the sale of the produced oil and natural gas are recorded when known, which is generally when statements and payment are received. Such differences have historically been immaterial.

For the oil and natural gas produced from wells in which the Company has nonoperated revenue or royalty interests, the Company recognizes revenue based on the details included in the statements received from the operator. Any gathering, transportation, production taxes, and other deductions included on the statements are recorded based on the information provided by the operator. The Company does not disclose the value of unsatisfied performance obligations as it applies the practical exemption which applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required.

**Concentrations of Credit Risk**

For the years ended November 30, 2021, 2020 and 2019 three, two and three operators accounted for 37 percent, 30 percent and 40 percent of oil and natural gas revenue, respectively. As of November 30, 2021 and 2020 four and three operators accounted for 52 percent and 36 percent, respectively, of oil and natural gas revenue receivable.

The Company's oil and natural gas revenue receivable is generated from the sale of oil and natural gas by operators on its behalf. The Company monitors the financial condition of its operators.

**Income Taxes**

The Company is a limited liability company ("LLC"). Accordingly, no provision for income taxes has been recorded, as the income, deductions, expenses, and credits of the Company are reported on the income tax returns of the Company's members.

The Company accounts for uncertainty in income taxes in accordance with generally accepted accounting principles, which prescribe a comprehensive model for recognizing, measuring, presenting, and disclosing in the consolidated financial statements tax positions taken or expected to be taken in a tax return, including a decision on whether to file in a particular jurisdiction. Only tax positions that meet a more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized. If taxing authorities were to disallow any tax positions

taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company, subject to IRS rules, which provide that adjustments resulting from IRS audit of the LLC will be assessed at the LLC level.

**Deferred Finance Charges**

Costs associated with the revolving credit facility are deferred and amortized to interest expense over the term of the related financing. The amount of deferred financing costs incurred, and the amortization of deferred financing costs, was immaterial for all periods presented.

**Derivative Financial Instruments**

The Company enters into derivative contracts to manage its exposure to oil and gas price volatility. Commodity derivative contracts may take the form of swaps, puts, calls, or collars. Cash settlements from the Company's commodity price risk management activities are recorded in the month the contracts mature. Any realized gains and losses on settled derivatives, as well as mark-to-market gains or losses, are aggregated and recorded to Commodity derivative (loss) gain, net on the consolidated statements of operations.

Generally accepted accounting principles require recognition of all derivative instruments on the consolidated balance sheets as either assets or liabilities measured at fair value. Subsequent changes in the derivatives' fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature and designation of the instrument. The Company has elected to not designate any derivative instruments as accounting hedges, and therefore marks all commodity derivative instruments to fair value and records changes in fair value in earnings. Amounts associated with deferred premiums on derivative instruments are recorded as a component of the derivatives' fair values (see Note 6).

**New Accounting Pronouncements**

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework—Changes to Disclosure Requirements for Fair Value Measurement. ASU No. 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The Company adopted ASU 2018-13 on December 1, 2021. The guidance did not have a significant impact on the consolidated financial statements or notes accompanying the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected credit related losses over the life of the financial asset at origination. This is different from the current practice, where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Company's year ending November 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period in which the new guidance is effective. Early adoption is permitted. The Company is evaluating the impact the new guidance will have on its consolidated financial statements and related disclosures.

**Subsequent Events**

The consolidated financial statements and related disclosures include evaluation of events through August 29, 2022, which is the date the consolidated financial statements were issued.

**Note 3—Asset Acquisitions**

During the years ended November 30, 2021, 2020 and 2019, the Company purchased a number of proved oil and gas properties and proved leaseholds for an aggregate purchase price of \$6.2 million, \$9.2 million and \$5.1 million, respectively. The transactions qualified as asset acquisitions; therefore, the oil and gas properties were recorded based on the fair value of the total consideration transferred on the acquisition dates, and transaction costs were capitalized as a component of the assets acquired. Transaction costs during 2021, 2020 and 2019 were immaterial. The purpose of the acquisitions was to acquire proved developed and proved undeveloped oil and gas properties that were proximate and complementary to existing properties and leases for strategic purposes.

#### **Note 4—Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates, yield curves, and forward commodity price curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. Significant Level 3 inputs include estimated future cash flows used in determining the fair value of purchased oil and gas properties.

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

#### **Recurring Fair Value Measurements**

As of November 30, 2021, the Company's derivative financial instruments are composed of commodity swaps. The fair value of the swap agreements is determined under the income valuation technique using a discounted cash flow model. The fair values of options are determined under the income valuation technique using an option pricing model along with the stated amount of deferred premiums if applicable. The valuation models require a variety of inputs, including contractual terms, published forward commodity prices, volatilities for options, and discount rates, as appropriate. The Company's estimates of fair value of derivatives include consideration of the counterparty's creditworthiness, the Company's creditworthiness, and the time value of money. The consideration of these factors results in an estimated exit price for each derivative asset or liability under a marketplace participant's view. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's commodity derivative instruments are included within Level 2 of the fair value hierarchy (see Note 6).

#### **Nonrecurring Fair Value Measurements**

Nonrecurring measurements include the fair value of impaired proved oil and gas properties. The Company determines the estimated fair value of the impaired proved oil and gas properties by using a discounted cash flow approach with unobservable Level 3 inputs (see Note 2) at the time of impairment. Significant inputs utilized in determining the fair value of its Wyoming proved oil and gas properties of \$26.9 million during the year ended November 30, 2020 included commodity futures prices adjusted for basis differentials, wellbore-only reserves, and a discount rate commensurate with the risk associated with realizing the projected cash flows of 10 percent.

The Company uses the income valuation technique to estimate the fair value of asset retirement obligations, at initial recognition, arising from the development of proved properties using the amounts and timing of expected future dismantlement costs and credit-adjusted risk-free rates. Accordingly, the fair value is based on unobservable inputs and, therefore, is included within Level 3 of the fair value hierarchy. The significant unobservable inputs include the gross cost of abandoning oil and gas wells; the economic lives of the properties; the inflation rate; and the credit-adjusted risk-free rate of the Company.

#### **Financial Instruments Not Measured at Fair Value**

The carrying amounts of the majority of the Company's financial instruments, namely cash, receivables, accounts payable, and accrued liabilities, approximate their fair values due to the short-term nature of these instruments. The Company's credit facility (see Note 5) has a recorded value that approximates fair market value, as it bears interest at a floating rate that approximates a current market rate. The fair values of derivative instruments are estimated based on market conditions in effect at the end of each reporting period.

#### **Note 5—Credit Facility**

In May 2015, the Company entered into a credit facility (the "Credit Facility") with a syndicate of banks (the "Lenders") led by Wells Fargo Bank, N.A. (the "Administrative Agent") with the Company as the borrower (the "Borrower"), which originally matured in May 2020. The Credit Facility has been subsequently amended, and the maturity date has been extended to April 2023. The most recent amendment was executed in November 2021. The Credit Facility specifies an aggregate maximum credit amount equal to \$500.0 million and a maximum borrowing base, as determined by the Lenders. The determination of the borrowing base takes into consideration the estimated value of the Company's oil and gas properties in accordance with the Lenders' customary practices for oil and gas loans. The borrowing base is subject to scheduled redeterminations on a semiannual basis. The amount available for borrowing could be increased or decreased as a result of such redeterminations. Under certain circumstances, the Borrower and the Lenders shall each have the option to request one unscheduled borrowing base redetermination per fiscal year. As of November 30, 2021 and 2020, the Company's borrowing base was \$140.0 million and \$120.0 million, respectively, of which \$68.0 million and \$98.5 million, respectively, was outstanding.

The Company has the option to request borrowings under either a eurodollar loan or an Alternative Base Rate loan. Eurodollar loans bear interest at the adjusted LIBOR plus an applicable margin ranging from 2.75 percent to 3.75 percent depending on the borrowing base utilization percentage. Alternative Base Rate loans bear interest at the higher of (a) the prime rate in effect on such day, (b) the federal funds effective rate in effect on such day plus 0.5 percent, or (c) the adjusted LIBOR for a one-month interest period on such day plus an applicable margin ranging from 1.75 percent to 2.75 percent depending on the borrowing base utilization percentage. Interest is calculated and paid monthly in arrears. Additionally, the Company incurs an unused credit facility fee of 0.500 percent regardless of the borrowing base utilization percentage. As of November 30, 2021, the interest rate on the outstanding balance under the Credit Facility was 3.10 percent.

The Credit Facility includes customary terms and covenants that place limitations on certain types of activities, including the payment of dividends and distributions, and requires satisfaction of certain financial covenants, such as minimum leverage and current ratios. The Credit Facility also requires excess cash at any point in time over \$10.0 million to be repaid to the Borrowers, subject to the terms in the Credit Facility. The Company was in compliance with all financial covenants of the Credit Facility at November 30, 2021 and 2020. The Credit Facility is guaranteed by the Company's subsidiaries and is collateralized with a minimum of 85 percent of the proved PV10 reserve value of the Company's oil and gas properties.

In addition, the Credit Facility places additional conditions on the ability of the founding members of management to put their common units back to the Company (see Note 13). These conditions include the establishment of maximum percentages of debt outstanding relative to the existing borrowing base and pro forma debt to earnings before interest, taxes, depletion, depreciation, amortization, and exploration expense ("EBITDAX") ratios, as defined in the Credit Facility, at the date of the permitted exercise.

In April 2022, the Company amended its Credit Facility with a syndicate of banks. The Credit Facility will mature in April 2026. The Credit Facility permits borrowing on a revolving credit basis with availability equal to the lesser of the aggregate elected commitments of \$170 million and the current borrowing base of \$200 million. At the Company's option, borrowings under the Credit Facility bear interest at either an adjusted forward-looking term rate based on the Secured Overnight Financing Rate ("SOFR") or an adjusted base rate ("Base Rate") (the highest of the Administrative Agent's prime rate, the Federal Funds rate plus 0.50% or the 30-day SOFR rate plus 1.0%), plus a spread ranging from 1.75% to 2.75% with respect to Base Rate borrowings and 2.75% to 3.75% with respect to SOFR borrowings, in each case based on the borrowing base utilization percentage.

#### **Note 6—Derivative Instruments**

The Company periodically enters into various commodity hedging instruments to mitigate a portion of the effect of oil and natural gas price fluctuations. The Company classifies the fair value amounts of commodity derivative assets and liabilities as current or noncurrent commodity derivative assets or current or noncurrent commodity derivative liabilities, whichever the case may be.



The following table summarizes the location and fair value amounts of commodity derivative instruments in the consolidated balance sheet as of November 30, 2021, as well as the gross recognized derivative assets, liabilities, and amounts offset in the consolidated balance sheet:

(In thousands)	GROSS RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES	GROSS AMOUNTS OFFSET	NET RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES
<b>Commodity derivative assets:</b>			
Current derivative assets	\$ 1,513	\$ —	\$ 1,513
<b>Total</b>	<b>\$ 1,513</b>	<b>\$ —</b>	<b>\$ 1,513</b>
<b>Commodity derivative liabilities:</b>			
Current derivative liabilities	\$ 8,672	\$ —	\$ 8,672
<b>Total</b>	<b>\$ 8,672</b>	<b>\$ —</b>	<b>\$ 8,672</b>

The following table summarizes the location and fair value amounts of all commodity derivative instruments in the consolidated balance sheet as of November 30, 2020, as well as the gross recognized derivative assets, liabilities, and amounts offset in the consolidated balance sheet:

(In thousands)	GROSS RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES	GROSS AMOUNTS OFFSET	NET RECOGNIZED FAIR VALUE ASSETS/ LIABILITIES
<b>Commodity derivative assets:</b>			
Current derivative assets	\$ 9,299	\$ (76)	\$ 9,223
Noncurrent derivative assets	2,305	—	2,305
<b>Total</b>	<b>\$ 11,604</b>	<b>\$ (76)</b>	<b>\$ 11,528</b>
Commodity derivative liabilities—Current deferred option premiums	\$ 76	\$ (76)	\$ —

As of November 30, 2021, the Company had the following crude oil swaps:

CONTRACT	TYPE	TERM	VOLUME HEDGED (Bbls)	INDEX	ROUNDED FIXED PRICE
1	Swap	December 2021 - December 2021	25,000	WTI-NYMEX	\$ 52
2	Swap	December 2021 - December 2021	25,000	WTI-NYMEX	52
3	Swap	December 2021 - December 2021	35,000	WTI-NYMEX	53
4	Swap	December 2021 - November 2022	360,000	WTI-NYMEX	71
5	Swap	January 2022 - November 2022	330,000	WTI-NYMEX	49
6	Swap	January 2022 - November 2022	330,000	WTI-NYMEX	65
7	Swap	January 2022 - November 2022	275,000	WTI-NYMEX	51

As of November 30, 2021, the Company had the following natural gas swap:

CONTRACT	TYPE	TERM	VOLUME HEDGED (Mcf)	INDEX	ROUNDED FIXED PRICE (\$/Mcf)
8	Swap	January 2022 - April 2022	600,000	HHUB-NYMEX	\$ 4

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

The counterparties in the Company's derivative instruments also participate in the Company's Credit Facility; accordingly, the Company is not required to post collateral, as the counterparties have the right of offset for any derivative liabilities, and the Credit Facility is secured by the Company's oil and gas assets. For further discussion related to the fair value of the Company's derivatives, see Note 4.

**Note 7—Accrued Liabilities**

Accrued liabilities at November 30, 2021 and 2020 are summarized as follows:

(In thousands)	2021	2020
Accrued capital expenditures	\$ 11,500	\$ 8,300
Accrued lease operating expenses, net	1,270	2,332
Accrued compensation	2,714	1,674
Accrued derivative settlement	2,450	—
Other accrued liabilities	683	411
Total	<u>\$ 18,617</u>	<u>\$ 12,717</u>

**Note 8—Asset Retirement Obligations**

A rollforward of AROs for the years ended November 30, 2021 and 2020 are presented below.

(In thousands)	2021	2020
Balance—Beginning of year	\$ 5,666	\$ 5,079
Liabilities incurred	123	338
Accretion expense	274	249
Revisions	69	—
Balance—End of year	<u>\$ 6,132</u>	<u>\$ 5,666</u>

**Note 9—Related Party Transactions**

3B acquired common units in the Company which were funded by two Initial Loans with related parties (see Note 13). As part of the funding of the Company, 3B entered into two different promissory notes with VE Holding LLC, an entity owned by JFG. The promissory notes allowed 3B to borrow up to \$7.875 million and \$3.5 million, initially accruing interest at 10.0 percent and 3.5 percent, respectively, and had maturity dates of May 7, 2021 (the "Initial Loans"). Initially, repayment of the \$3.5 million promissory note was fully guaranteed by one of the members of 3B. Each of the two Initial Loans are collateralized by all of the common units held by 3B. In 2020 the \$3.5 million promissory note was amended to remove the guarantee, change the interest rate to 10.0 percent and extend the maturity date to December 31, 2023. At the same time the \$7.875 million promissory note was amended to extend the maturity date to December 31, 2023. The Initial Loans between 3B and VE Holding LLC are held outside of the Company and are not a liability of the Company. During 2021, a \$12.0 million ratable distribution was made to the common unit holders. The 3B distribution of \$0.3 million was used to pay down a pro rata portion of the outstanding interest on the Initial Loans.

In connection with the Company Agreement, in July 2018 certain executives entered into two separate promissory notes aggregating to \$10.0 million with VE Holding LLC (the "2018 Notes"), which are collateralized by the MIUs granted to the respective executive. The 2018 Notes accrue interest at 3.0 percent per annum payable annually on December 31 and mature the earlier of July 1, 2024, an MIU exchange, or an acceleration event (as defined). The 2018 Notes may be prepaid at any time but are subject to mandatory prepayment upon the issuance of any

distributions from the Company related to the MIUs held by such executives. Additionally, the 2018 Notes were considered full recourse to each respective executive for a limited time, with such recourse reduced by one-third each December 31 through 2020. As the 2018 Notes are between VE Holding LLC and the executives, they do not represent liabilities of the Company.

The Company has entered into an amended and restated services agreement (the "Services Agreement") by and between the Company, Vitesse Management, and Vitesse Oil, LLC ("Vitesse Oil") on May 7, 2014. Vitesse Oil is an entity with management common to that of the Company. Per the Services Agreement, costs incurred by Vitesse Management was to be allocable between the Company and Vitesse Oil initially at 50 percent each and adjusted automatically each quarter, such that the Company's share of allocable costs shall be the greater of 50 percent or the quotient of the total contributed capital to the Company made by its members and the sum of the total contributed capital to the Company and Vitesse Oil by their respective members. As such, the Company incurred 90 percent of the Vitesse Management costs for the years ended November 30, 2021, 2020 and 2019. The amount of costs reimbursed from Vitesse Oil to the Company for management services was \$1.1 million, \$1.0 million, and \$0.9 million for each of the years ended November 30, 2021, 2020 and 2019, respectively. The amount due to the Company from Vitesse Oil as of November 30, 2021 and 2020 was immaterial.

On July 1, 2016, the Company entered into a separate services agreement between Vitesse Management and JETX Energy, LLC ("JETX"), formerly known as Juneau Energy, LLC, another entity owned by JFG with common management. Per this services agreement, Vitesse Management is to provide JETX certain administrative services and supervise, administer, and manage the business affairs and operations of JETX and its subsidiaries for a service provider fee of \$0.2 million per month. The term of this service agreement extends for an unlimited amount of time; however, it is subject to termination by either Vitesse Management or JETX if provided written consent following the first anniversary or a final exit event. During each of the years ended November 30, 2021, 2020 and 2019, the Company received its net share of fees from JETX of approximately \$2.4 million, which is classified as a reduction to general and administrative expenses on the accompanying consolidated statements of operations.

On July 1, 2016, the Company implemented the Employee Participation Plan ("EPP") pursuant to which employees, consultants, or independent contractors of the Company may be invited to personally acquire a working interest in new oil and gas wells in which the Company elects to participate. The EPP was subsequently amended on January 1, 2018. The tranches are not to exceed a maximum of \$2.0 million of capital expenditures in the aggregate for each year. Participants in the EPP are required to fund their proportion of development costs and ongoing operating expenses of those specific wellbores. Compensation expense is measured by the allocable amount of the value of the assigned wellbore leasehold costs which has historically been immaterial.

In 2018, the Company authorized a \$2.0 million retention bonus, of which \$1.5 million is paid by funding participants' development and operating expenses under the EPP. Participants vest ratably in their interests in the underlying wells at December 31, 2018, 2019, and 2020 if still employed; thus, the Company recognized compensation expense of \$0.4 million and \$0.5 million in 2020 and 2019, respectively, as the interests of the remaining participants vested or were deemed to vest.

#### **Note 10—Employment Agreements**

The Company has executed employment agreements with two executives. The term of each agreement is through December 31, 2023, with an automatic renewal clause on a year-to-year basis. Both executives and Vitesse Management had the right to terminate the agreement effective December 31, 2022 if notice was given prior to December 31, 2021. Such notice was not given. Under the employment agreements, the executives have rights to minimum salaries and certain compensation agreements upon termination of employment, including executive base salary, accrued vacation pay earned, and unreimbursed expenses incurred up to the date of termination. In addition, for fiscal 2019 and thereafter, the executives qualify for defined minimum annual bonuses. Under the terms of the employment agreements, the executives also are subject to noncompetition and nonsolicitation agreements.

Also, as part of amendments to the respective employment agreements made in July 2018, the previously vested Founder MIUs (Note 13) were subjected to forfeiture if the executive were to terminate employment for any reason other than Good Reason (as defined). However, the forfeiture provision were reduced over time such that if the executive remained employed through December 31, 2020 the Founder MIUs are no longer subject to forfeiture.

**Note 11—Leases**

The Company is obligated under noncancelable leases primarily for facilities and equipment. Total expense under these operating leases was \$0.4 million, \$0.4 million and \$0.3 million for the years ended November 30, 2021, 2020 and 2019.

Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

The Company's lease agreements do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at the lease commencement date for the purpose of determining the present value of lease payments. The right-of-use assets of \$0.5 million and \$0.9 million as of November 30, 2021 and 2020, respectively, are recorded within Other noncurrent assets on the consolidated balance sheets. The related lease obligations of \$0.5 million and \$0.9 million as of November 30, 2021 and 2020, respectively, are recorded within Other current liabilities and Other noncurrent liabilities on the consolidated balance sheets.

**Note 12—Commitments and Contingencies**

**Litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this report, management of the Company was unaware of any material legal proceedings against the Company. The Company maintains insurance to cover certain actions.

**Note 13—Members' Equity and Unit-Based Compensation**

The Company has two classes of membership units, with the following units authorized, issued, and outstanding as of November 30, 2021 and 2020:

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	AUTHORIZED	ISSUED AND OUTSTANDING
Common units	450,000,000	450,000,000
Management incentive units	1,000,000	953,750

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**Common Units**

Common units issued to date have been issued at \$1 per unit, with an aggregate capital commitment from all common members of \$450 million. There initially shall be five managers on the board of managers, with three managers designated by JFG (such designated managers are each a "Jefferies Manager") and two managers designated by 3B. For voting purposes, each manager is entitled to one vote, and the affirmative vote of a majority of the board of managers, including at least one Jefferies Manager, is required to ratify any significant decisions of the Company.

Certain executives of the Company, as a result of their ownership of 3B, were granted the right to put all of their common units back to the Company in exchange for their pro rata share of the oil and gas interests then owned by the Company beginning in May 2017 (the "Common Unit Exchange Option"). In connection with the Company Agreement, the terms of the Common Unit Exchange Option were modified, where it may only be exercised on January 1, 2021 or on the annual anniversary thereafter and subject to additional conditions. Such conditions include, but are not limited to, that the Company is not in the process of an initial public offering; common unit holders have either received distributions resulting in, or the fair value of the Company's net assets are such that the Company would achieve, a specified rate of return ("Flip Threshold"); and 3B reimburses the common unit holders for its pro rata share of liabilities in excess of cash balances at the time of exercise. Further, 3B must discharge any principal and interest outstanding related to the Initial Loans. As a result of the Common Unit Exchange Option resulting in the transfer of a portion of the oil and gas interests in proportion to 3B's percentage holding of the common units, the Common Unit Exchange Option is considered to be a transaction that does not occur at fair market value. Through the issuance date of these financial statements the Common Unit Exchange Option has not been exercised.

In addition to the Common Unit Exchange Option, in the event of termination of any or both of the executives that hold common units, the Company has the option to repurchase the common units held by 3B in exchange for cash (the "Common Unit Call Option"). The Common Unit Call Option would be executed at fair market value on the date of the transaction.

As a result of 3B's receipt of in-substance nonrecourse notes (the "Initial Loans") that are each collateralized by all of the common units held by 3B, for accounting purposes the Company has granted 3B an in-substance call option that is within the scope of accounting guidance related to share-based compensation (the "Common Unit Option Grant"), which was fully vested on the date of grant in 2014. Due to the nature and terms of the Common Unit Exchange Option described above, the Common Unit Option Grant is classified as a liability award, remeasured at fair market value at each reporting date with the change in fair market value recorded to earnings. As of November 30, 2021, the aggregate intrinsic value of the Common Unit Option Grant, which is both outstanding and exercisable, was negative as the fair value of the common unit is less than the deemed exercise price.

#### **Management Incentive Units**

Management incentive units may be issued by the Company to eligible employees and/or consultants. All MIUs are nonvoting and provide the MIU holders the opportunity to participate in distributions after the common unit holders have received a return equal to the Flip Threshold (as defined). In connection with the Company Agreement, the terms and conditions of the MIUs were modified from the Company's original LLC agreement. Such modifications included, but were not limited to, a reset and change in the Flip Threshold, as well as changes to specific terms and conditions of MIU holder put rights and Company call rights.

MIUs have been granted to the founding members of management ("Founder MIUs") and certain other employees of the Company ("Non-Founder MIUs"). Holders of Non-Founder MIUs may put at least 25 percent of their vested MIUs to the Company for cash at estimated fair market value as of the date of the transaction, on or after January 1, 2022, subject to conditions that include, but are not limited to, continued employment and no pending initial public offering (the "Non-Founder MIU Put Option"). Holders of the Founder MIUs may put at least 10 percent of their vested MIUs to the Company on or after January 1, 2021 for either (1) cash at estimated fair market value as of the date of the transaction or (2) interests in the Company's oil and gas properties with a fair market value equal to the fair market value of the MIU as of the date of the transaction, subject to conditions that include, but are not limited to, the Company is not in the process of an initial public offering; common unit holders have either received distributions resulting in, or the fair value of the Company's net assets are such that the common unit holders would achieve the Flip Threshold, and the 2018 Notes have been repaid or are to be repaid out of proceeds from the exercise of the put option (the "Founder MIU Put Option"). In addition, the Company has the right to repurchase Founder MIUs and Non-Founder MIUs at fair market value upon the termination of employment for any reason (the "MIU Call Option"). With respect to the Flip Threshold, as of April 2018 management determined that the achievement of the Flip Threshold was probable. Through the issuance date of these financial statements none of the Founder MIU Put Options, the Non-Founder MIU Put Options, or the MIU Call Option have been exercised.

All MIUs are subject to vesting requirements and forfeiture provisions specific to the Founder MIUs and Non-Founder MIUs, as outlined in the Company Agreement, employment agreement, grant letters, and other supporting MIU documentation. All unvested MIUs vest upon a final exit event (as defined), and are cancelled in the event of termination of the grantee. In the event of termination for Cause (as defined) all vested MIUs are forfeited for no consideration.

The Company accounts for Non-Founder MIUs as liability-based awards until the respective holder has borne the risk of unit ownership, at which point the value of the liability is reclassified outside of permanent equity. While the awards are classified as liabilities, compensation expense is recorded through the vesting period, and changes in the estimated fair market value of the liability, are recorded in earnings. Once reclassified outside of permanent equity increases in the estimated fair market value of the award are recorded through members' equity. During the years ended November 30, 2021, 2020 and 2019, the Company recorded a reduction of \$1.5 million, an increase of \$1.0 million and a reduction of \$0.3 million respectively, through members' equity to adjust the Non-Founder MIUs to fair market value.

Confidential Treatment Requested by Vitesse Energy, Inc.  
Pursuant to 17 C.F.R. Section 200.83

A summary of the Company's activity related to Non-Founder MIUs for the years ended November 30, 2021, 2020 and 2019, is presented below:

	2021	2020	2019
Nonvested at period end	45,000	82,500	82,500
Granted during the period	—	50,000	15,000
Vested during the period	37,500	50,000	58,750
Forfeited during the period	—	—	12,500
Fair value of MIUs vested during the period	\$ 0.7 million	\$ 0.7 million	\$ 1.3 million

As of November 30, 2021, there was \$1.0 million of total unrecognized compensation cost related to nonvested unit-based compensation arrangements. That cost is expected to be recognized through June 2024, over a weighted-average period of 1.4 years.

As a result of each of the management founders' receipt of an in-substance nonrecourse note (the "2018 Notes") that are each collateralized by all of Founder MIUs held by the respective executive, for accounting purposes the Company has granted each of the management founders an in-substance call option that is within the scope of accounting guidance related to share-based compensation (the "Founder MIU Option Grant"). Due to the nature and terms of the Founder MIU Put Option described above, the Founder MIU Option Grant is classified as a liability award, remeasured at fair market value at each reporting date with the change in fair market value recorded to earnings. As of November 30, 2021, the aggregate intrinsic value of the Founder MIU Option Grant, which is both outstanding and exercisable, is \$5.0 million.

Total compensation cost (income) recognized in the consolidated statements of operations within Unit-based compensation for each of the years ended November 30, 2021, 2020 and 2019 is as follows:

(In thousands)	2021	2020	2019
Common Unit Option Grant	\$ (569)	\$ (1,308)	\$ (28)
Founder MIU Option Grant	1,625	700	2,213
Non-Founder MIUs	353	64	1,110
Total	\$ 1,409	\$ (544)	\$ 3,295

The liability recorded in the consolidated balance sheets within Unit-based compensation as of November 30, 2021 and 2020 is as follows:

(In thousands)	2021	2020
Common Unit Option Grant	\$ 1,706	\$ 2,275
Founder MIU Option Grant	6,510	4,885
Non-Founder MIUs	136	419
Total	\$ 8,352	\$ 7,579

**Measurement of unit-based compensation**

The Company records the Non-founder MIUs, Founder MIU Option Grant, and Common Unit Option Grant at fair value at the date of grant and at each balance sheet date, which results in compensation cost being measured at fair value. As noted above, vested Non-founder MIUs, where the respective holder has borne the risk of ownership, are recorded within temporary equity, with changes in fair value recorded within members' equity.

The fair value of each of the Founder MIU Option Grant and the Common Unit Option Grant (collectively “the Options”) are estimated using a Black Scholes Model that uses the assumptions noted in the following tables. As the Company doesn’t have publicly-traded equity we incorporated data from a group of publicly-traded peer companies when estimating fair value, and because when estimating fair value management incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on the historical volatility of our identified peer group of companies. The expected term of the Options is determined based on the Time to Exit/Liquidity Event. The risk-free rate for periods within the expected life of the option is interpolated from the US constant maturity treasury rate, for a term corresponding to the expected term.

Founder MIU Option Grant	2021	2020	2019
Expected volatility	125% - 170%	130% - 145%	125% - 160%
Weighted-average volatility	150%	137.5%	142.5%
Expected dividends/distributions	0%	0%	0%
Expected term (in years)	1	2	2.1
Risk-free rate	0.24%	0.16%	1.61%

Common Unit Option Grant	2021	2020	2019
Expected volatility	50%	60% - 65%	45%
Weighted-average volatility	50%	62.5%	45%
Expected dividends/distributions	0%	0%	0%
Expected term (in years)	1	2	2.1
Risk-free rate	0.24%	0.16%	1.61%

#### **Distributions**

Distributions of funds associated with common units follow a prescribed framework, which is outlined in detail in the Company Agreement. In general, distributions are first allocated to those unitholders based on their allocable share, as defined in the Company Agreement. Each unitholder will then receive a distribution in accordance with the tiered waterfall, as defined in the Company Agreement. The Company made \$12.0 million and \$25.0 million of distributions on common units during the years ended November 30, 2021 and 2019, respectively.

**Earnings Per Unit**

We have two classes of equity in the form of common units and MIUs that are vested and where the holder has borne the risks and rewards of ownership at which point the MIU is reclassified from liabilities to outside of permanent equity. Both common units and temporary equity classified MIUs are considered common units, and distributions are made in accordance with the Company Agreement. As such, we present earnings per unit ("EPU") for both classes of equity. In calculating EPU we apply the two-class method. Under the two-class method net income (loss) attributable to common units is allocated to common units and other participating securities in proportion to the claim on earnings of each participating security after giving effect to distributions declared during the period, if any. The following table sets forth the computation of basic and diluted net income (loss) per unit:

	<b>FOR THE YEARS ENDED NOVEMBER 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Common Units</b>			
Net income (loss)	18,114	(8,857)	35,888
less: income allocable to participating securities			
In-substance options on common units (Common Unit Option Grant)	(458)	—	(907)
In-substance options on Founder MIUs (Founder MIU Option Grant)	—	—	—
Non-Founder MIUs classified as temporary equity	—	—	—
Non-Founder MIUs classified as liabilities	—	—	—
Net income (loss) attributable to common unitholders	<u>17,656</u>	<u>(8,857)</u>	<u>34,981</u>
Weighted Average Common Units Outstanding (in 000s)	450,000	450,000	450,000
less: Common Units accounted for as in-substance options	<u>(11,375)</u>	<u>(11,375)</u>	<u>(11,375)</u>
Weighted Average Common Units Outstanding (in 000s)	<u>438,625</u>	<u>438,625</u>	<u>438,625</u>
<b>Basic and Diluted EPU</b>	<b>\$ 0.04</b>	<b>\$ (0.02)</b>	<b>\$ 0.08</b>
<b>Temporary Equity Classified MIUs</b>			
Income allocable to Non-Founder MIUs classified as temporary equity	\$ —	\$ —	\$ —
MIUs classified in temporary equity (in 000s)	234	196	146
<b>Basic and Diluted EPU</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>



**Supplemental Oil and Gas Information (Unaudited)**

**Oil and Natural Gas Exploration and Production Activities**

Oil and natural gas sales reflect the market prices of net production sold or transferred with appropriate adjustments for any contractual provisions. Production expenses include lifting costs incurred to operate and maintain productive wells and related equipment including such costs as operating labor, repairs and maintenance, materials, supplies and fuel consumed. Production taxes include ad valorem and severance taxes. Depletion of crude oil and natural gas properties relates to capitalized costs incurred in acquisition, exploration, and development activities. Results of operations do not include interest expense and general corporate amounts. The results of operations for the Company's crude oil and natural gas production activities are provided in the Company's related consolidated statements of operations. Capitalized costs relating the Company's oil and natural gas producing activities as of November 30, 2021 and 2020 are provided in the Company's consolidated balance sheets.

**Costs Incurred**

The costs incurred in crude oil and natural gas acquisition, exploration and development activities are highlighted in the table below.

(In thousands)	NOVEMBER 30,		
	2021	2020	2019
Costs Incurred for the Year:			
Proved Property Acquisition and Other	\$ 6,210	\$ 9,234	\$ 5,094
Development	36,769	36,859	111,913
Total	<u>\$ 42,979</u>	<u>\$ 46,093</u>	<u>\$ 117,007</u>

**Oil and Natural Gas Reserve Data**

The following tables present the Company's estimates of its proved crude oil and natural gas reserves. The Company emphasizes that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment.

	NATURAL GAS (MMcf)	OIL (MBbl)	MBoe
<b>Proved Developed and Undeveloped Reserves at November 30, 2018</b>	73,353	37,898	50,124
Revisions of Previous Estimates	12,413	3,612	5,681
Extensions, Discoveries and Other Additions	4,478	1,427	2,173
Acquisition of Reserves	2,185	1,397	1,761
Production	(5,105)	(3,063)	(3,914)
<b>Proved Developed and Undeveloped Reserves at November 30, 2019</b>	<u>87,324</u>	<u>41,271</u>	<u>55,825</u>
Revisions of Previous Estimates	(5,723)	(8,094)	(9,048)
Extensions, Discoveries and Other Additions	2,199	729	1,096
Acquisition of Reserves	6,638	1,799	2,905
Production	(5,609)	(2,599)	(3,534)
<b>Proved Developed and Undeveloped Reserves at November 30, 2020</b>	<u>84,829</u>	<u>33,106</u>	<u>47,244</u>
Revisions of Previous Estimates	(4,181)	(2,998)	(3,694)
Extensions, Discoveries and Other Additions	2,648	899	1,340
Acquisition of Reserves	1,793	959	1,258
Production	(7,065)	(2,436)	(3,614)
<b>Proved Developed and Undeveloped Reserves at November 30, 2021</b>	<u>78,024</u>	<u>29,530</u>	<u>42,534</u>

	NATURAL GAS (MMcf)	OIL (MBbl)	MBoe
<b>Proved Developed Reserves:</b>			
November 30, 2018	33,663	17,513	23,124
November 30, 2019	39,059	18,928	25,438
November 30, 2020	47,418	17,841	25,744
November 30, 2021	58,437	17,764	27,504
<b>Proved Undeveloped Reserves:</b>			
November 30, 2018	39,690	20,385	27,000
November 30, 2019	48,264	22,342	30,386
November 30, 2020	37,410	15,265	21,500
November 30, 2021	19,586	11,765	15,030

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.

Notable changes in proved reserves for the year ended November 30, 2021 included the following:

- *Revisions to previous estimates.* In 2021, revisions to previous estimates increased proved developed and decreased proved undeveloped reserves by a net amount of 3.7 MMBoe. Included in these revisions were 4.3 MMBoe of upward adjustments caused by higher crude oil and natural gas prices and 7.4 MMBoe of downward adjustments related to the removal of undeveloped drilling locations due to a slower recovery of rig activity than expected in the Williston Basin and downward adjustments related to the removal of undeveloped drilling locations related to the SEC 5-year development rule.
- *Extensions and discoveries.* In 2021, total extensions and discoveries of 1.3 MMBoe were attributable to additions of proved undeveloped locations in the Williston Basin.

Notable changes in proved reserves for the year ended November 30, 2020 included the following:

- *Revisions to previous estimates.* In 2020, revisions to previous estimates decreased proved developed and undeveloped reserves by a net amount of 9.0 MMBoe. Included in these revisions were 9.3 MMBoe of downward adjustments caused by lower crude oil and natural gas prices largely attributable to the impacts of the global coronavirus pandemic, a 1.2 MMBoe upward adjustment attributable to well performance when comparing the Company's reserve estimates at November 30, 2020 to November 30, 2019 and 0.6 MMBoe of downward adjustments related to the removal of undeveloped drilling locations related to the SEC 5-year development rule.
- *Extensions and discoveries.* In 2020, total extensions and discoveries of 1.0 MMBoe were attributable to additions of proved undeveloped locations in the Williston Basin.

Notable changes in proved reserves for the year ended November 30, 2019 included the following:

- *Revisions to previous estimates.* In 2019, revisions to previous estimates increased proved reserves by a net amount of 5.7 MMBoe. Included in these revisions were 0.8 MMBoe of downward adjustments caused by lower crude oil and natural gas prices and 5.8 MMBoe of upward adjustments attributable to well performance and upward revisions of undeveloped and proved non-producing locations due to current year drilling results.

- *Extensions and discoveries.* In 2019, total extensions and discoveries of 2.2 MMBoe were attributable to additions of proved undeveloped locations in the Williston Basin.

**Standardized Measure of Discounted Future Net Cash Inflows and Changes Therein**

The following table presents a standardized measure of discounted future net cash flows relating to proved crude oil and natural gas reserves, and the changes in standardized measure of discounted future net cash flows relating to proved crude oil and natural gas were prepared in accordance with the provisions of ASC 932 Extractive Activities—Oil and Gas. Future cash inflows were computed by applying average prices of crude oil and natural gas for the last 12 months to estimated future production. Future production and development costs were computed by estimating the expenditures to be incurred in developing and producing the proved crude oil and natural gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. Future income tax expenses were calculated by applying appropriate year-end tax rates to future pretax cash flows relating to proved crude oil and natural gas reserves, less the tax basis of properties involved and tax credits and loss carry forwards relating to crude oil and natural gas producing activities. Income taxes for the Company are zero due to the Company's tax status as a pass-through entity. Future net cash flows are then discounted at the rate of 10%. Actual future cash inflows may vary considerably, and the standardized measure does not represent the fair value of the Company's crude oil and natural gas reserves.

(In thousands)	NOVEMBER 30,		
	2021	2020	2019
Future Cash Inflows	\$ 2,151,098	\$ 1,405,418	\$ 2,448,491
Future Production Costs	(816,329)	(713,495)	(947,883)
Future Development Costs	(230,101)	(245,128)	(368,894)
Future Income Tax Expense	—	—	—
Future Net Cash Inflows	\$ 1,104,668	\$ 446,795	\$ 1,131,714
10% Annual Discount for Estimated Timing of Cash Flows	(503,055)	(255,617)	(627,685)
Standardized Measure of Discounted Future Net Cash Flows	\$ 601,613	\$ 191,178	\$ 504,029

The twelve-month average prices were adjusted to reflect applicable transportation and quality differentials on a well-by-well basis to arrive at realized sales prices used to estimate the Company's reserves. The price of other liquids is included in natural gas. The prices for the Company's reserve estimates were as follows:

	NATURAL GAS		OIL
	\$/Mcf		\$/Bbl
November 30, 2021	\$ 3.46		\$ 64.81
November 30, 2020	\$ 1.94		\$ 40.45
November 30, 2019	\$ 2.76		\$ 55.34

Changes in the Standardized Measure of Discounted Future Net Cash Flows at 10% per annum follow:

(In thousands)	NOVEMBER 30,		
	2021	2020	2019
Beginning of Period	\$ 191,178	\$ 504,029	\$ 647,156
Sales of Oil and Natural Gas Produced, Net of Production Costs	(126,733)	(49,948)	(112,854)
Extensions and Discoveries	17,911	2,332	12,326
Previously Estimated Development Cost Incurred During the Period	16,924	22,308	39,714
Net Change of Prices and Production Costs	415,685	(322,506)	(227,520)
Change in Future Development Costs	22,606	79,816	3,167
Revisions of Quantity and Timing Estimates	(17,833)	(115,228)	79,830
Accretion of Discount	19,118	50,403	64,716
Change in Income Taxes	—	—	—
Purchases of Minerals in Place	23,272	17,304	26,408
Other	39,485	2,668	(28,914)
End of Period	<u>\$ 601,613</u>	<u>\$ 191,178</u>	<u>\$ 504,029</u>

**CAWLEY, GILLESPIE & ASSOCIATES, INC.**  
**PETROLEUM CONSULTANTS**

13640 BRIARWICK DRIVE, SUITE 100  
AUSTIN, TEXAS 78729-1107  
512-249-7000

306 WEST SEVENTH STREET, SUITE 302  
FORT WORTH, TEXAS 76102-4987  
817- 336-2461  
www.cgaus.com

1000 LOUISIANA STREET, SUITE 1900  
HOUSTON, TEXAS 77002-5008  
713-651-9944

May 31, 2022

Mr. Brian Cree  
Vitesse Energy, LLC  
9200 E. Mineral Circle, Suite 200  
Centennial, CO 80112

Re: Evaluation Summary – SEC Pricing  
**Vitesse Energy, LLC**  
Certain Interests in Colorado, Montana, North Dakota and Wyoming  
Properties  
Total Proved Reserves  
As of December 1, 2021

*Pursuant to the Guidelines of the Securities and Exchange Commission  
for Reporting Corporate Reserves and Future Net Revenue*

Dear Mr. Cree,

As requested, this report was prepared on May 31st, 2022 for *Vitesse Energy, LLC* (“Vitesse Energy”) for the purpose of submitting our estimates of total proved reserves and forecasts of economics attributable to the above-captioned interests. We evaluated 100% of Vitesse Energy’s reserves, which are made up of Denver-Julesburg (“DJ”) Basin, Powder River (“PR”) Basin and Williston Basin oil and gas properties located in Colorado, Montana, North Dakota and Wyoming. This evaluation was prepared using constant prices and costs and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the *Securities and Exchange Commission* (SEC). A composite summary of the values by reserve category is presented below:

		Proved Developed Producing	Proved Developed Shut-In	Proved Developed Non-Producing	Proved Undeveloped	TP Summary
Net Reserves						
Oil	- Mbbl	15,925.9	82.9	1,755.5	11,765.4	29,529.7
Gas	- MMcf	52,150.0	122.8	6,164.5	19,585.6	78,022.8
Revenue						
Oil	- M\$	977,604.6	5,063.9	107,597.6	720,951.0	1,811,216.6
Gas	- M\$	227,890.5	553.9	27,996.4	83,440.6	339,881.4
Severance Taxes	- M\$	97,600.6	422.0	10,112.6	72,565.4	180,700.7
Ad Valorem Taxes	- M\$	2,638.7	27.7	0.0	488.9	3,155.4
Operating Expenses	- M\$	186,854.4	1,118.6	9,601.9	65,473.7	263,049.1
Other Deductions	- M\$	209,711.2	725.5	21,677.3	137,310.6	369,424.2
Investments	- M\$	0.0	0.0	15,981.0	214,120.3	230,101.4
Net Operating Income	- M\$	708,689.6	3,323.9	78,221.1	314,432.7	1,104,667.3
<b>Discounted @ 10%</b>	<b>- M\$</b>	<b>410,705.2</b>	<b>1,899.1</b>	<b>48,769.3</b>	<b>141,560.2</b>	<b>602,933.7</b>

Proved Developed (“PD”) reserves are the summation of the Proved Developed Producing (“PDP”), Proved Developed Shut-In (“PDSI”) and Proved Developed Non-Producing (“PDNP”) reserve estimates. Proved Developed reserves were estimated at 17,764.3 Mbbbl oil and 58,437.3 MMcf gas (or 27,503.9 MBOE). Of the Proved Developed reserves, 24,720.9 MBOE were attributed to producing zones in existing wells and 2,783.0 MBOE were attributed to zones in existing wells not producing. Probable Undeveloped (“PROB”) and Possible Undeveloped (“POSS”) reserves were not evaluated in this report.

*Future revenue* was calculated prior to deducting state production taxes and ad valorem taxes; however, *future net cash flow* was calculated after deducting these taxes, future capital costs and operating expenses, but before federal income taxes. *Future net cash flow* has been discounted at an annual rate of ten (10) percent, in accordance with SEC guidelines, to determine its “present worth”. *Present worth* indicates the time value of money and should not be construed to represent an estimate of the fair market value of the properties.

The oil reserves include oil and condensate. Oil volumes are expressed in barrels (42 U.S. gallons). Gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base. BOE (barrels of oil equivalent) is expressed as oil volumes in barrels plus gas volumes in Mcf divided by six (6) to convert to barrels.

### **Hydrocarbon Pricing**

The base SEC oil and gas prices calculated for December 1, 2021 were \$64.81/bbl and \$3.462/MMBtu, respectively. As specified by the SEC, a company must use a 12-month average price calculated as the unweighted arithmetic average of each first-day-of-the-month price within the 12-month period prior to the end of the reporting period. The oil price is based upon WTI-Cushing spot prices (EIA) and the natural gas price was based on Henry Hub spot prices (Platts Gas Daily) starting December 1, 2020 and ending November 1, 2021.

Adjustments to oil and gas prices were applied as received from Vitesse Energy. Gas price differentials include adjustments for basis differential and the gas heating value (BTU content) of the gas. Gas shrinkage was applied as provided and includes compression, processing, flaring and utilization losses. Pricing differentials were applied by location as follows:

**DJ/PR Basin:** Oil price differentials were applied per state and geographic location as a deduct of \$3.75/bbl for Colorado properties and as a deduct from \$2.80/bbl to \$3.75/bbl for Wyoming properties. Gas price differentials were applied at 138.0% to 140.0% of Henry Hub prices for wet gas sales. Gas shrinkage was estimated at 1.0% to 21.0%.

**Williston Basin:** Oil price differentials were applied per state and geographic location as a deduct of \$3.50/bbl to \$4.50/bbl for Montana properties and as a deduct of \$2.90/bbl to \$4.60/bbl for North Dakota properties. Gas price differentials were applied at 115.0% to 160.0% of Henry Hub for wet gas sales. Gas shrinkage was estimated at 6.0% to 88.0%.

After these pricing adjustments, the net realized prices over the life of the proved properties was estimated to be \$61.39 per bbl for oil and \$4.368 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

**Expenses, Taxes and Investments**

**Expenses:** Routine lease operating expenses (“LOE”) were applied to all wells, as provided by Vitesse Energy (see table below). Expenses were not escalated in this report, as per SEC guidelines.

State	Fixed Cost (\$/month)	Oil Variable Cost (\$/bbl)	Gas Variable Cost (\$/Mcf)
Colorado	4,000	5.00	0.83
Wyoming	3,000 or 4,000	2.50 or 5.00	0.42 or 0.83
Montana	3,000 – 5,000	3.50 – 6.15	0.58 – 1.03
North Dakota	3,000 – 5,000	2.00 – 7.97	0.33 – 1.33

**Taxes:** Oil and gas severance taxes were applied based on the respective state guidelines for the following Basins:

**DJ/PR Basin:** Oil and gas severance tax rates were applied at 6.0% of revenue in Wyoming. Ad valorem taxes were applied at 6.3% in Wyoming. Oil and gas severance tax rates were applied at 5.0% of revenue in Colorado. Ad valorem taxes were not applied in Colorado.

**Williston Basin:** For North Dakota properties, oil severance taxes were applied at 10.0% of oil revenue, which includes an oil production tax of 5.0% and an oil extraction tax of 5.0%. Gas severance taxes were applied at \$0.0405/Mcf of gas sales. For Montana properties, oil and gas severance tax rates were applied at 9.3% of revenue with the exception of three new wells and one PDNP well. For these, the tax rate is 0.8% for the first 18 months after start, then 9.3% to life. Ad valorem taxes are not levied by North Dakota or Montana; therefore, none were applied here.

**Investments:** Drilling and completion costs (“capital”) were applied as directed and built out by operator in each basin as indicated below. Investments were not escalated in this report as per SEC guidelines.

**DJ/PR Basin:** Capital for wells located in DJ and PR Basins were applied at \$1.63 MM to \$3.72 MM for drilling and \$1.89 MM to \$6.93 MM completion costs per well.

**Williston Basin:** Capital for wells located in Williston Basin were applied at \$1.68 MM to \$3.17 MM for drilling and \$2.85 MM to \$4.71 MM for completion costs per well.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page two (2) of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. Monthly production data from Vitesse Energy, the NDIC, Oil and Gas Division and IHS, was typically updated through October 2021.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively

high degree of accuracy for predicting proved developed non-producing and undeveloped reserves for Vitesse Energy's properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

Wells with no production for at least the past 12 months were assigned a reserve category of PDSI. Wells with no production for less than the past 12 months were also assigned as PDSI with a delayed start date of 12 months since the last date of production. New development on Vitesse Energy's acreage includes planned (AFE'd) wells, wells currently drilling, and/or wells expected to be drilled based on operator information or regional activity. A reserve category of PDNP was applied to drilled uncompleted horizontal wells and PUD was assigned based on the proximity to production and geologic control. Reserves for each location were assigned based on offset analogy to production and account for recent nearby wells that have demonstrated improved performance due to more modern completions. The development schedule for all staked drilling locations was applied as received from Vitesse Energy.

#### **SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages three (3) and four (4) of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

This evaluation includes 914 commercial proved undeveloped locations. Each of these drilling locations proposed as part of Vitesse Energy's development plans conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the operators of these drills have indicated they have reasonably certain intent to complete this development plan within the next five (5) years. Furthermore, Vitesse Energy and the other operators have demonstrated through their actions that they have the proper company staffing, financial backing and prior development success to ensure this development plan will be fully executed.

#### **General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. To some extent information from public records has been used to check and/or supplement these data. The basic engineering and geological data were subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed. The mechanical operation or condition of the wells and their related facilities have not been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included in this evaluation.

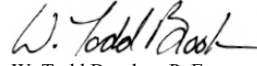
Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 60 years. This evaluation was supervised by W. Todd Brooker, President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer



(License #83462). We do not own an interest in the properties or *Vitesse Energy, LLC* and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

**CAWLEY, GILLESPIE & ASSOCIATES, INC.**  
TEXAS REGISTERED ENGINEERING FIRM F-693



W. Todd Brooker, P. E.  
President

