UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 24, 2025

Diversified Energy Company

(Exact name of registrant as specified in its charter)

Delaware	011-41870	41-2283606
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**
1600 Corporate Drive Birmingham, Alabama		**35242**
(Address of Principal Executive Office)		**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (205) 408-0909

(Former Name or Former Address, if Changed Since Last Report): Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	DEC	New York Stock Exchange

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

Emerging Growth Company ☐

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

EXPLANATORY NOTE

On November 26, 2025, Diversified Energy Company (the "Company") filed with the Securities and Exchange Commission a Current Report on Form 8-K (the "Original Report") to disclose that it had closed on its previously announced acquisition of Canvas Energy Inc. ("Canvas").

The Company is hereby filing this Current Report on Form 8-K/A (this "Amendment") to amend Item 9.01 of the Original Report to present the required financial statements and pro forma financial information. Except for the filing of such financial statements and pro forma financial information, this Amendment does not otherwise modify or update the Original Report.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited financial statements of Canvas as of and for the years ended December 31, 2024 and December 31, 2023, the related notes, and the financial statements of Canvas as of September 30, 2025 and for each of the nine months ended September 30, 2025 and 2024 (unaudited), are filed herewith as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined statement of financial position of the Company as of September 30, 2025, and the unaudited pro forma condensed combined statement of operations of the Company for the nine months ended September 30, 2025, and for the fiscal year ended December 31, 2024, and notes thereto, are attached as Exhibit 99.3 to this Form 8-K/A and incorporated in this Item 9.01(b) by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Grant Thornton LLP.
99.1	Audited financial statements of Canvas as of and for the year ended December 31, 2024 and December 31, 2023.
99.2	Unaudited financial statements of Canvas as of September 30, 2025 and for each of the nine months ended September 30, 2025 and September 30, 2024.
99.3	Unaudited pro forma condensed combined statement of financial position of the Company as of September 30, 2025, and the unaudited pro forma condensed combined statement of operations of the Company for the nine months ended September 30, 2025 and for the fiscal year ended December 31, 2024.
104	Cover Page Interactive Data File (embedded within Inline XBRL document

SIGNATURES

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

Diversified Energy Company

February 6, 2026

Date

By: /s/ Benjamin M. Sullivan

Benjamin M. Sullivan

Senior Executive Vice President, Chief Legal and Risk Officer and Corporate Secretary

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated March 28, 2025, with respect to the consolidated financial statements of Canvas Energy Inc. included in this current report of Diversified Energy Company on Form 8-K/A. We consent to the incorporation by reference of said report in the Registration Statements of Diversified Energy Company on Forms S-8 (File No. 333-291764, File No. 333-287374 and File No. 333-276139).

/s/ GRANT THORNTON LLP

Oklahoma City, Oklahoma
February 6, 2026

EXHIBIT 99.1

Consolidated Financial Statements and Report of Independent Certified Public Accountants

For the fiscal year ended December 31, 2024

Canvas Energy Inc.

GLOSSARY OF CERTAIN DEFINED TERMS

The terms defined in this section are used throughout this annual report:

Bbl	One stock tank barrel of 42 U.S. gallons liquid volume used herein in reference to crude oil, condensate, or natural gas liquids.
BBtu	One billion British thermal units.

Boe	One barrel of crude oil equivalent, determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil.
Btu	British thermal unit, which is the heat required to raise the temperature of one pound of water from 58.5 to 59.5 degrees Fahrenheit.
Completion	The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry well, the reporting to the appropriate authority that the well has been abandoned.
Credit Agreement	Credit Agreement, dated as of June 27, 2023, among Canvas Energy Inc. and Bank of America, N.A., as administrative agent for the Lenders thereto.
Horizontal drilling	A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.
MBbls	One thousand barrels of crude oil, condensate, or natural gas liquids.
MBoe	One thousand barrels of crude oil equivalent.
Mcf	One thousand cubic feet of natural gas.
MMBoe	One million barrels of crude oil equivalent.
MMBtu	One million British thermal units.
MMcf	One million cubic feet of natural gas.
Natural gas liquids (NGLs)	Those hydrocarbons in natural gas that are separated from the gas as liquids through the process of absorption, condensation, adsorption or other methods in gas processing or cycling plants. Natural gas liquids primarily include propane, butane, isobutane, pentane, hexane and natural gasoline.
Net acres	The sum of fractional working interests owned in gross acres or gross wells.
NYMEX	The New York Mercantile Exchange.
OPEC+	In 2016, The Organization of the Petroleum Exporting Countries, also known as OPEC signed an agreement with 10 other oil-producing countries to create what is now known as OPEC+.
Proved developed reserves	Reserves that can be expected to be recovered (i) through existing wells with existing equipment and operating methods, or in which the cost of the required equipment is relatively minor compared to the cost of a new well and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.
Proved reserves	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 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. For additional information, see the SEC's definition in Rule 1-10(a)(22) of Regulation S-X, a link for which is available at the SEC's website.
Proved undeveloped reserves	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 recompletion.

PV-10 value	When used with respect to oil and natural gas reserves, PV-10 value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, excluding escalations of prices and costs based upon future conditions, before income taxes, and without giving effect to non-property-related expenses, discounted to a present value using an annual discount rate of 10%.
Rabbi Trust	A trust created pursuant to the Rabbi Trust Agreement entered into between Canvas Energy Inc., as employer, and BOKF, NA., as trustee, on June 14th, 2022.
SEC	The Securities Exchange Commission.
Secular Trust	A trust created pursuant to the Secular Trust Agreement entered into between Canvas Energy Inc., as employer, and BOKF, NA., as trustee, on June 14th, 2022.
Seismic	Also known as a seismograph, it is a survey of an area by means of an instrument which records the vibrations of the earth. By recording the time interval between the source of the shock wave and the reflected or refracted shock waves from various formations, geophysicists are able to define the underground configurations.
Undeveloped acreage	Lease acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or natural gas regardless of whether such acreage contains proved reserves.
Working interest	The right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on a cash, penalty, or carried basis.

FINANCIAL STATEMENTS

Index to Financial Statements

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Canvas Energy Inc.

Opinion
We have audited the consolidated financial statements of Canvas Energy Inc. (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Grant Thornton LLP

Oklahoma City, Oklahoma
March 28, 2025

Canvas Energy Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except share data)	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 27,580	$ 23,779
Accounts receivable:		
Accounts receivable gross	46,830	38,887
Allowance for credit losses	(1,136)	(1,339)
Accounts receivable, net	45,694	37,548
Inventories, net	8,158	7,840
Prepaid expenses	2,328	2,060
Derivative instruments	937	3,810
Total current assets	84,697	75,037
Property and equipment, net	4,572	4,766
Right of use assets from operating leases	463	852
Oil and natural gas properties, using the full cost method:		
Proved	787,589	626,797
Unevaluated (excluded from the amortization base)	39,612	17,727
Accumulated depreciation, depletion, amortization and impairment	(241,170)	(178,404)
Total oil and natural gas properties	586,031	466,120
Derivative instruments	106	1,801
Other assets	7,026	3,061
Total assets	$ 682,895	$ 551,637
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 39,888	$ 29,999
Accrued payroll and benefits payable	7,673	6,160
Accrued interest payable	683	526
Revenue distribution payable	20,967	28,119
Long-term debt and financing leases, classified as current	572	474
Derivative instruments	499	—
Total current liabilities	70,282	65,278
Long-term debt and financing leases, less current maturities	147,400	21,439
Derivative instruments	416	228
Noncurrent operating lease obligations	38	471
Other noncurrent liabilities	5,360	2,788
Asset retirement obligation	12,949	13,748
Deferred income taxes	43,343	8,338
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Preferred stock, 100,000 shares authorized, none issued and outstanding as of December 31, 2024 and 2023.	—	—
Common stock, $0.01 par value, 8,000,000 shares authorized; 4,757,709 issued and outstanding at both December 31, 2024 and December 31, 2023	48	48
Additional paid in capital	174,807	173,108
Retained earnings	228,252	266,191
Total stockholders' equity	403,107	439,347
Total liabilities and stockholders' equity	$ 682,895	$ 551,637

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

Canvas Energy Inc. and Subsidiaries
Consolidated Statements of Operations

(in thousands, except share and per share data)	2024	2023
Revenues:		
Commodity sales	$ 279,669	$ 282,095
Total revenues	279,669	282,095

	Year Ended December 31,	
Costs and expenses:		
Lease operating	41,086	39,169
Transportation and processing	5,589	5,844
Production taxes	16,336	16,553
Depreciation, depletion, accretion and amortization	65,046	53,674
General and administrative	19,830	19,477
Litigation loss (recovery)	—	(185)
Total costs and expenses	147,887	134,532
Operating income	131,782	147,563
Non-operating income (expense):		
Interest expense	(7,654)	(5,018)
Loss on extinguishment of debt	—	(524)
Derivative gains (losses), net	(2,545)	19,141
Gain (loss) on sale of assets	(13)	840
Other income, net	965	2,001
Net non-operating income (expense)	(9,247)	16,440
Income before income taxes	122,535	164,003
Income tax expense (benefit) - current	(928)	925
Income tax expense (benefit) - deferred	35,005	8,338
Net income	$ 88,458	$ 154,740

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

Canvas Energy Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock Outstanding		Additional Paid in Capital	Retained Earnings	Total
(in thousands, except share data)	Shares	Amount			
Balance at December 31, 2022	5,101,202	$ 51	$ 169,986	$ 128,440	$ 298,477
Stock-based compensation	—	—	3,122	—	3,122
Net income	—	—	—	154,740	154,740
Stock repurchase and retirement	(343,493)	(3)	—	(16,514)	(16,517)
Dividends	—	—	—	(475)	(475)
Balance at December 31, 2023	4,757,709	$ 48	$ 173,108	$ 266,191	$ 439,347
Stock-based compensation	—	—	1,699	—	1,699
Net income	—	—	—	88,458	88,458
Dividends (1)	—	—	—	(126,397)	(126,397)
Balance at December 31, 2024	4,757,709	$ 48	$ 174,807	$ 228,252	$ 403,107

(1) Dividend equivalents on outstanding restricted stock units that were funded in a prior period for which the the associated restricted stock units vested in the current period.

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

Canvas Energy Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)	**2024**	**2023**
Cash flows from operating activities		
Net income	$ 88,458	$ 154,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, accretion and amortization	65,046	53,674
Loss on extinguishment of debt	—	524
Deferred income tax expense	35,005	8,338
Derivative losses (gains), net	2,545	(19,141)
Loss (gain) on sale of assets	13	(840)
Other	1,153	980
Change in assets and liabilities:		
Accounts receivable	(6,990)	15,263
Inventories	(552)	2,026
Prepaid expenses and other assets	(1,926)	(585)
Accounts payable and accrued liabilities	3,393	(8,226)
Revenue distribution payable	(7,153)	3,529
Deferred compensation	1,469	2,571
Net cash provided by operating activities	180,461	212,853
Cash flows from investing activities		
Expenditures for property, plant, and equipment and oil and natural gas properties	(178,919)	(157,121)
Proceeds from asset dispositions	1,579	6,167
Proceeds from (payments on) derivative settlements, net	2,709	10,259
Net cash used in investing activities	(174,631)	(140,695)
Cash flows from financing activities		
Proceeds from long-term debt	150,000	65,000
Repayment of long-term debt	(25,000)	(130,000)

	Year Ended December 31,	
Dividends paid	(125,062)	—
Principal payments under financing lease obligations	(507)	(434)
Payment of debt issuance costs and other financing fees	(1,460)	(3,160)
Stock purchase and retirement	—	(16,517)
Net cash used in financing activities	(2,029)	(85,111)
Net increase (decrease) in cash and cash equivalents	3,801	(12,953)
Cash and cash equivalents at beginning of period	23,779	36,732
Cash and cash equivalents at end of period	$ 27,580	$ 23,779

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

Canvas Energy Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of operations and summary of significant accounting policies

Canvas Energy Inc. and its subsidiaries, (collectively, “we”, “our”, “us”, “Canvas”, or the “Company”) are engaged in the acquisition, exploration, development, production and operation of oil and natural gas properties. Our properties are located in Oklahoma, where we produce crude oil, natural gas and natural gas liquids. The commodities produced are primarily sold to refineries and gas processing plants within close proximity to our producing properties.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Principles of consolidation

The consolidated financial statements include the accounts of Canvas Energy Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in accordance with GAAP necessitates management to make estimates and assumptions. These judgments impact the reported values of assets and liabilities, the disclosure of contingent assets and liabilities as of the balance sheet date, and the reported amounts of revenues and expenses during the reporting period.

The more significant areas requiring use of assumptions, judgments and estimates on our consolidated financial statements include: quantities of proved oil and natural gas reserves; cash flow estimates used in the oil and gas ceiling test; asset retirement obligations; income taxes; valuation of derivative instruments; and accrued revenue and related receivables. Although management believes these estimates are reasonable, actual results could significantly differ from these estimates.

Dividends

During 2024, the Company’s board of directors (the “Board”) declared and paid dividends on the Company’s common stock as follows: (i) $13.59 per share with a record date of March 21, 2024; (ii) $9.70 per share with a record date of June 10, 2024; and (iii) $1.455 per share with a record date of August 30, 2024. The Company did not declare or pay any dividends on its common stock in 2023.

Units under the Company’s equity incentive plan, including both issued awards (consisting of restricted stock units) and unallocated award units, were also entitled to the dividends in the form of dividend equivalents, which the Company has funded (see

"Note 10: Deferred compensation").

Stock repurchase

The Company repurchased 25,368 shares of common stock in October 2023 for a total purchase price of $1.1 million. In November 2023, the Company commenced a tender offer to purchase up to 550,000 shares of common stock from its stockholders leading to 318,125 shares being repurchased in December 2023 for a total purchase price of $15.4 million. The repurchased shares in 2023 were

all immediately retired. In accordance with accounting guidance on share repurchases for constructive retirement, the excess of the purchase price over par value was recorded entirely to retained earnings.

Cash and cash equivalents

We classify as cash equivalents all highly liquid investments with an original maturity of three months or less. Our cash and cash equivalents are held in diversified bank deposit accounts and money market funds, which may not be fully insured by the Federal Deposit Insurance Corporation (FDIC). We have not experienced any losses on these accounts and believe our exposure to credit risk associated with them is insignificant. Included in the balance of cash and cash equivalents are money market securities as of December 31, 2024 and 2023 was $1.5 million and $0.6 million, respectively, deposited in the Secular Trust that may only be used for future employee compensation (see "Note 10: Deferred compensation").

Accounts receivable

Basis of accounting. Our accounts receivable are carried at gross cost, representing amounts due, less an allowance for expected credit losses. We write off accounts receivable when they are determined to be uncollectible. When we recover amounts that were previously written off, those amounts are offset against the allowance and reduce expense in the year of recovery.

The Company has four components constituting its total accounts receivables: (i) joint interest receivables; (ii) commodity sales receivables; (iii) derivative settlement receivables; and (iv) other receivables. The table below discloses balances related to these four segments and the allowance:

	December 31,	
(in thousands)	**2024**	**2023**
Joint interests	$ 15,839	$ 12,063
Commodity sales	29,339	25,315
Derivative settlements	327	1,487
Other	1,325	22
Allowance for doubtful accounts	(1,136)	(1,339)
Total accounts receivable, net	$ 45,694	$ 37,548

Commodity sales receivables. The Company sells its commodity products primarily to oil and natural gas midstream entities including crude oil refineries and natural gas processing plants. We also sell a portion of our natural gas to energy marketing entities. Payment is generally received within 30 days of sales and, based on our history of collections from our purchasers, we believe the probability of credit losses from uncollectible receivables to be remote. We perform annual credit evaluations on purchasers representing approximately 75% or more of our commodity revenues. The evaluations include: (i) an assessment of external credit ratings; (ii) performing internal risk evaluations when external ratings are not available; and (iii) assessing the need for guarantor letters or letters of credit. We estimate the expected losses on uncollectible receivables by taking into consideration general industry conditions and, more specifically, factors impacting the midstream energy segment. We may make further adjustments to our allowance for credit losses according to any specific news we may receive regarding individual purchasers. Our allowance for doubtful accounts on commodity sales receivables as of both December 31, 2024 and 2023 was $0.4 million.

Joint interest receivables. Our joint interest receivables represent amounts owed to us by other working interest owners on wells that we operate. We have numerous joint interest counterparties, which are the result of combining all or portions of multiple oil and gas leases to form units for the drilling of wells under poolings or joint interest agreements. The counterparties in this segment are diverse, ranging from large public company upstream operators to individual mineral leaseholders. Amounts billed to our joint interest owners generally consist of drilling and completion costs, in the early stages of a well, and lease operating expenses and costs for workovers and remediation work once a well is online. Our historical losses on uncollectible receivables have predominantly been attributable to this portfolio segment. In the event of nonpayment, we may be able to mitigate our losses by netting the outstanding amount against any revenues payable to the joint interest owner and if still insufficient, by assuming the joint interest owner's working interest in the well. The fair value of the working interest, which represents collateral for the outstanding receivable, will depend on the fair value of the remaining oil and natural gas reserves of the well. We monitor the ongoing collectability of these receivables by focusing on past due accounts with material balances. We estimate the expected losses on uncollectible joint interest receivables by applying varying allowance rates to outstanding balances based on aging of the balances. We also factor in current industry conditions, the ability to net the receivable against outstanding revenues payable to the account holder and the amount of such revenues, the fair value of the account holder's working interest in the property and the account holder's previous loss history in assessing the appropriate allowance. This method is augmented with a specific identification approach that includes directly communicating with certain joint interest owners that have material outstanding balances and consideration of specific information or circumstances regarding the account, such as bankruptcy, litigation or ongoing negotiations. Our allowance for doubtful accounts on joint interest receivables as of December 31, 2024 and 2023 was $0.7 million and $0.9 million, respectively.

Derivative settlement receivables. Our derivative receivables relate to net settlements due from counterparties to our derivative contracts. Since derivative settlements fluctuate depending on commodity price changes, which are volatile, the associated amounts can result in a net payable or a net receivable position in any given month. Our derivative contracts generally require payment within one month of the production date being hedged. We typically have a limited number of counterparties to our derivative contracts, currently all of whom are large financial institutions and lenders under the Credit Agreement. These financial institution counterparties bear investment grade credit ratings. We have never incurred credit losses from our derivative receivables and believe the probability of such losses to be highly remote. For counterparties who also belong to the lending group under the Credit Agreement, to the extent that a balance is uncollectible, we believe that we have offset rights against amounts owed to the counterparty under the Credit Agreement. Based on these circumstances, we have not recorded any allowance for credit losses related to these receivables.

Other receivables. These receivables are of a nonrecurring discrete nature and generally immaterial with respect to our total receivables.

Accrued interest, discount and premiums. We do not accrue interest on the outstanding balances of our receivables. There are no discounts or premiums associated with our receivables.

Presentation of credit loss expense. Our credit loss expense is included as a component of "General and administrative expenses" on our consolidated statement of operations and is as follows:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Credit losses (recoveries) on receivables	$ (40)	$ 92

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

(in thousands)	2024	December 31, 2023
Trade accounts payable	$ 4,817	$ 2,117
Derivative settlement payable	137	99
Asset retirement obligations	640	940
Litigation accrual	4,500	4,665
Capital accrual	19,913	13,196
LOE accrual	3,845	3,610
Other accrued liabilities	6,036	5,372
Total accounts payable and accrued liabilities	$ 39,888	$ 29,999

Inventories

Inventories consist of equipment used in developing oil and natural gas properties and oil and natural gas product inventories at historical cost. We evaluate our inventory each quarter and when there is evidence that the utility of our inventory, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, we record an allowance to reduce the cost to its net realizable value. Inventories are shown net of a provision for obsolescence, commensurate with known or estimated exposure, which is reflected in the valuation allowance disclosed below. Inventories consisted of the following:

	December 31,	
(in thousands)	2024	2023
Equipment inventory	$ 7,621	$ 7,469
Commodities	537	478
Inventory valuation allowance	—	(107)
Total inventories, net	$ 8,158	$ 7,840

Oil and natural gas properties

Capitalized Costs. We use the full cost method of accounting for oil and natural gas properties and activities. Accordingly, we capitalize all costs incurred in connection with the exploration for and development of oil and natural gas reserves. Proceeds from the disposition of oil and natural gas properties are accounted for as a reduction in capitalized costs, with no gain or loss generally recognized unless such dispositions involve a significant alteration in the depletion rate. We capitalize internal costs that can be directly identified with exploration and development activities, but do not include any costs related to production, general corporate overhead or similar activities. Capitalized costs include geological and geophysical work, 3D seismic, delay rentals, and drilling completing and equipping oil and natural gas wells, including salaries, benefits, and other internal costs directly attributable to these activities.

Costs associated with unevaluated oil and natural gas properties, which may include leasehold acquisition costs, capitalized interest, seismic data costs and development costs for wells which reserve volumes are not classified as proved, are excluded from the amortizable base until a determination has been made as to the existence of proved reserves. Quarterly, unevaluated leasehold costs,

along with seismic data costs and capitalized interest that were previously allocated to the unevaluated acreage parcels, are transferred to the amortization base with the costs of drilling the related well upon proving up reserves of a successful well or upon determination of a dry or uneconomic well. Furthermore, unevaluated oil and natural gas properties are reviewed for impairment if events and circumstances exist that indicate a possible decline in the recoverability of the carrying amount of such property. The impairment assessment is conducted at least once annually and whenever there are indicators that impairment may have occurred. In assessing whether impairment has occurred, we consider factors such as intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; assignment of proved reserves; and economic viability of development if proved reserves are assigned. Upon determination of impairment, all or a portion of the associated leasehold costs are transferred to the full cost pool and become subject to amortization. The processes above are applied to unevaluated oil and natural gas properties on an individual basis or as a group if properties are individually insignificant. Our future depreciation, depletion and amortization rate would increase or we may incur ceiling test write-downs if costs are transferred to the amortization base without any associated reserves.

The costs of unevaluated oil and natural gas properties consisted of the following:

(in thousands)	December 31, 2024	December 31, 2023
Leasehold acreage	$ 34,755	$ 14,274
Capitalized interest	4,557	2,764
Wells in progress of completion	300	689
Total unevaluated oil and natural gas properties excluded from amortization	$ 39,612	$ 17,727

The carrying value of wells in progress of completion will be transferred to the amortization base upon completion in 2025. Subject to industry conditions and the level of the Company's activities, the inclusion of most of the leasehold acreage and capitalized interest costs referenced above into the Company's amortization calculation typically occurs within three years to five years.

Depreciation, depletion and amortization. Depreciation, depletion and amortization ("DD&A") of oil and natural gas properties are provided using the units-of-production method based on estimates of proved oil and natural gas reserves and production. Our cost basis for depletion includes estimated future development costs to be incurred on proved undeveloped properties. The computation of DD&A takes into consideration restoration, dismantlement, and abandonment costs, and the anticipated proceeds from salvaging equipment. Depreciation expense is as follows for the periods indicated:

(in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
DD&A:		
Oil and natural gas properties	$ 63,936	$ 52,432
Property and equipment	1,110	1,242
Total DD&A	$ 65,046	$ 53,674

Total DD&A expense per Boe increased $1.33 from $5.96 in 2023 to $7.29 in 2024. This increase was driven by the per Boe cost of oil and natural gas properties which increased $1.35 from $5.82 in 2023 to $7.17 in 2024. The per Boe cost per property and equipment saw a slight decline from $0.14 in 2023 to $0.12 in 2024.

Ceiling Test. In accordance with the full cost method of accounting, the net capitalized costs of oil and natural gas properties are not to exceed their related PV-10 value, net of tax considerations, plus the cost of unproved properties not being amortized.

Our estimates of oil and natural gas reserves as of December 31, 2024 and 2023 were prepared using an average price for oil and natural gas based upon the first day of each month for the prior twelve months as required by the SEC. We did not record any ceiling test impairment to our oil and natural gas properties for the years ended December 31, 2024 and 2023.

Impairment of long-lived assets

Impairment losses are recorded on property and equipment used in operations and other long-lived assets held and used when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Impairment is measured based on the excess of the carrying amount over the fair value of the asset. Impairment losses are also recorded on assets classified as held for sale when there is an excess of carrying value over fair value less costs to sell. We did not record any impairment of long-lived assets for the years ended December 31, 2024 and 2023.

Other noncurrent liabilities

Other noncurrent liabilities consists of the following:

(in thousands)	December 31, 2024	December 31, 2023
Deferred compensation	$ 4,960	$ 1,288
Debt issuance costs payable	400	1,500
Total other noncurrent liabilities	$ 5,360	$ 2,788

Income taxes

The Company is subject to current income taxes assessed by the federal and various state jurisdictions in the U.S. In addition, we account for deferred income taxes related to these jurisdictions using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in results of operations in the period that includes the enactment date.

We record a valuation allowance for the amount of net deferred tax assets when, in management's opinion, it is more likely than not that such assets will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred tax liabilities, and tax planning strategies as well as the current and forecasted business economics of our industry.

The benefit of an uncertain tax position taken or expected to be taken on an income tax return is recognized in the consolidated financial statements at the largest amount that is more likely than not to be sustained upon examination by the relevant taxing authority. Interest and penalties, if any, related to uncertain tax positions would be recorded in interest expense and other expense, respectively. There were no uncertain tax positions with respect to state and federal income taxes at December 31, 2024, or December 31, 2023.

We file income tax returns in the U.S. federal jurisdiction and in various states, each with varying statutes of limitations. With few exceptions, we are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2021.

Derivative transactions

We use derivative instruments to reduce the effect of fluctuations in crude oil, natural gas and natural gas liquids prices, and we recognize all derivatives as either assets or liabilities measured at fair value. Our derivative instruments are not designated as hedges for accounting purposes, thus changes in the fair value of derivatives are reported immediately in "Derivative gains (losses), net" in our consolidated statements of operations. Cash flows associated with derivatives are reported as investing activities in the consolidated statements of cash flows unless the derivatives contain a significant financing element, in which case that element is reported as financing activities.

Within current and noncurrent classifications on the balance sheet, we offset assets and liabilities for derivative contracts executed with the same counterparty under a master netting arrangement. See "Note 6: Derivative instruments" for additional information regarding our derivative transactions.

Fair value measurements

Fair value is defined by the FASB as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized according to the fair value hierarchy defined by the FASB. The hierarchical levels are based upon the level of judgment associated with the inputs used to measure the fair value of the assets and liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include adjusted quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities included in this category are derivatives with fair values based on published forward commodity price curves and other observable inputs. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Assets carried at fair value and included in this category are certain financial derivatives and additions to our asset retirement obligations. See "Note 7: Fair value measurements" for additional information regarding our fair value measurements.

Asset retirement obligations

We own oil and natural gas properties that require expenditures to plug, abandon or remediate wells and to remove tangible equipment and facilities at the end of oil and natural gas production operations in accordance with applicable federal and state laws. We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of oil and natural gas properties. The accretion of the asset retirement obligations is included in "Depreciation, depletion and amortization" in our consolidated statements of operations. See "Note 8: Asset retirement obligations" for additional information regarding our asset retirement obligations.

Environmental liabilities

We are subject to extensive federal, state and local environmental laws and regulations covering discharge of materials into the environment. Because these laws and regulations change regularly, we are unable to predict the conditions and other factors over which we do not exercise control that may give rise to environmental liabilities affecting us. Environmental expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation are expensed. Liabilities are accrued when environmental assessments and/or clean-ups are probable, and the costs can be reasonably estimated. As of December 31, 2024 and 2023, we have not accrued for or been fined or cited for any environmental violations that would have a material adverse effect upon our financial position, operating results, or cash flows.

Revenue recognition

In accordance with GAAP, we identify the performance obligations under our sales agreements, which is for the delivery of crude oil, natural gas or NGLs, and recognize revenue when those obligations are satisfied, which occurs when control of the commodity is transferred to the purchaser. Furthermore, any costs and fees levied by the customer subsequent to the transfer of control will be recognized as a reduction in revenue. See "Note 12: Revenue recognition" for additional information regarding our revenue recognition.

Stock-based compensation

The Company has granted equity incentive awards to certain employees and members of its board pursuant to the Canvas Energy Inc. Amended and Restated Equity Incentive Plan (the "2020 EIP"). Outstanding awards under the 2020 EIP consist of restricted stock units ("RSUs") that are subject to either a service-based vesting condition or a combined performance-based and market-based vesting condition. The RSUs are classified as equity-based awards. Compensation cost for service-based awards is recognized and measured based on a fair value estimate of the Company's equity.

Service-based awards either vest in one year and are expensed over that time frame or are subject to a graded vesting schedule over four annual installments where expense is recognized under the accelerated method. Compensation cost for service-based awards is recognized and measured based on a fair value estimate of the Company's equity, which is largely driven by fair value estimates of our enterprise value and outstanding debt, adjusted for lack of marketability as the Company is a private entity.

RSUs with a combined performance-based and market-based vesting condition vest upon achievement of a change in control event that yields a threshold multiple of investment, where different levels of the multiple of investment above the threshold result in different vesting percentages. We determine the fair value of this award by assuming that a change in control occurs and then determining whether and to what extent the market condition is met by simulating future possible stock prices and resulting vesting percentages. However, since a change in control event is not believed to be probable prior to its occurrence, no expense is recognized until such event actually occurs. When a change in control event occurs, the entire compensation cost related to these awards will be recognized regardless of the number of shares that actually vest, which depends on the multiple of investment outcome.

We do not recognize expense based on an estimate of forfeitures but rather recognize the impact of forfeitures only as they occur.

See “Note 10: Deferred compensation” for additional information relating to stock-based compensation.

Subsequent events

The Company evaluated subsequent events through March 28, 2025, the date these financial statements were available to be issued.

Recently issued accounting standards not yet adopted

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. ASU 2023-09 intends to provide investors with enhanced information about an entity’s income taxes by requiring disclosure of items such as disaggregation of the effective tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued. The Company is evaluating the impact this ASU will have on the disclosures that accompany its consolidated financial statements.

Note 2: Supplemental disclosures to the consolidated statements of cash flows

Supplemental disclosures to the consolidated statements of cash flows are presented below:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Net cash provided by operating activities included:		
Cash payments for interest	$ 9,394	$ 5,647
Interest capitalized	3,084	1,795
Cash payments for income taxes	900	400
Non-cash investing activities included:		
Asset retirement obligation additions and revisions (1)	1,014	989
Increase in right of use asset from operating lease (see Note 13)	—	793
Increase in right of use asset from financing lease (see Note 13)	554	774
Change in accrued oil and gas capital expenditures	7,199	(14,479)
Non-cash financing activities included:		
Discharge of financing lease obligations from lease termination or modification (See Note 13)	39	26
Change in accrued debt issuance costs	(1,056)	1,930

(1) Excludes asset retirement obligations incurred though oil and natural gas asset acquisitions.

Canvas Energy Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3: Acquisitions and divestitures

In October 2024, we entered into a purchase and sale agreement, that closed in December 2024, to acquire acreage within Woods and Major County, Oklahoma for a purchase price of $10.5 million. During 2023, the Company received net proceeds from asset dispositions of $6.2 million primarily relate to a sale of pipeline assets and leasehold acreage throughout several areas, mainly in Canadian County.

Note 4: Property and equipment

Major classes of property and equipment are shown in the following table. Acquired property and equipment is capitalized and stated at cost. Maintenance and repairs are expensed as incurred.

Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Estimated useful lives of our assets are as follows:

(in thousands)	Useful Life	December 31, 2024	December 31, 2023
Furniture and fixtures	5 — 10 years	$ 4	$ 4
Automobiles and trucks	5 years	2,475	2,099
Machinery and equipment	10 — 20 years	1,471	1,471
Office and computer equipment	5 — 10 years	3,136	2,802
Building and improvements	10 — 40 years	367	367
Total depreciable property and equipment		7,453	6,743
Accumulated depreciation and amortization		(4,456)	(3,552)
Total depreciable property and equipment, net		2,997	3,191
Land		1,575	1,575
Total property and equipment, net		$ 4,572	$ 4,766

Note 5: Debt

As of the dates indicated, long-term debt and financing leases consisted of the following:

(in thousands)	December 31, 2024	December 31, 2023
Revolving credit facility	$ 150,000	$ 25,000
Financing lease obligations	1,307	1,298
Unamortized issuance costs	(3,335)	(4,385)
Total debt, net	147,972	21,913
Current portion	(572)	(474)
Total long-term debt, net	$ 147,400	$ 21,439

Maturities of long-term debt, excluding unamortized debt issuance costs and financing leases, are as follows as of December 31, 2024. Please see “Note 13: Leases” for maturities of our financing leases.

2025	$ —
2026	—
2027	150,000
2028	—
2029	—
2030 and thereafter	—
Total	$ 150,000

Credit Agreement

On June 27, 2023, we entered into a new revolving credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and various lender parties to replace an existing credit agreement with Royal Bank of Canada, as administrative agent, that was scheduled to mature in February 2024. Our prior agreement with Royal Bank of Canada was terminated on June 27, 2023. The termination in the second quarter of 2023 resulted in a $0.5 million “Loss on extinguishment of debt” in the consolidated statement of operations that was related to the acceleration of the remaining unamortized debt issuance costs.

The Credit Agreement provides for an aggregate maximum principal amount of up to $500.0 million collateralized by our oil and natural gas properties, an initial borrowing base of $250.0 million and an aggregate elected commitment amount ("ECA") of $250.0 million. The fees associated with establishing the new Credit Agreement were recorded as debt issuance costs and are amortized over the term of the Credit Agreement as a component of interest expense. The Credit Agreement has a maturity date of June 27, 2027 and bears interest at a term rate based on either the secured overnight financing rate established by the Federal Reserve Bank of New York ("SOFR") or alternate base rate ("ABR") plus, in each case a rate per annum set based on commitment utilization ("Applicable Margin"). ABR is equal to the highest of (a) the Bank of America prime rate, (b) the federal funds effective rate plus 0.50% and (c) SOFR plus 1%, with certain exceptions. The Company is required to pay a commitment fee of 0.50% per annum on the average daily unused portion of the current aggregate commitments under the Credit Agreement. As of December 31, 2024, we had outstanding borrowings of $150.0 million under the Credit Agreement, resulting in an unused amount of $100.0 million.

Availability of the revolver under our Credit Agreement is subject to the lower of the borrowing base that is based on, among other things, the value of our oil and natural gas properties and set by the banks semi-annually on or around May 1 and November 1 of each year and the aggregate ECA. In addition, the Company or the lenders may request a borrowing base redetermination once between each scheduled redetermination. The Company can also add banks once between each scheduled redetermination to increase the ECA without an interim redetermination process. As noted above, the ECA is currently equal to the approved borrowing base.

As of December 31, 2024, our outstanding borrowings were accruing interest at the SOFR plus the Applicable Margin, which resulted in a weighted average interest rate of 8.23% on the amount outstanding.

The Credit Agreement contains covenants and events of default customary for oil and natural gas reserve-based lending facilities including restrictions on additional debt, guarantees, liens, restricted payments, investments and hedging activity. Additionally, our Credit Agreement specifies events of default, including non-payment, breach of warranty, non-performance of covenants, default on other indebtedness or swap agreements, restrictions on paying dividends, certain adverse judgments, bankruptcy events and change of control, among others.

The financial covenants currently require, as of the last day of each fiscal quarter, that we maintain (i) a Ratio of Total Net Debt to EBITDAX (as defined in the Credit Agreement) of no greater than 2.75 to 1.00 calculated on a trailing four-quarter basis and (ii) a Current Ratio (as defined in the Credit Agreement) of no less than 1.00 to 1.00. As of December 31, 2024, we were in compliance with all financial covenants under the Credit Agreement.

Affirmative hedging covenants under the Credit Agreement require, among other items, that 45 days following the last day of each fiscal quarter, the Company have in place commodity hedging agreements covering not less than (a) 25% of Projected PDP Volume (as defined in the Credit Agreement) of oil and natural gas for 24 consecutive months and (b) 25% of the Projected PDP Revenue (as defined in the Credit Agreement) of natural gas liquids for 12 consecutive months. If our Ratio of Total Debt to EBITDAX exceeds 1.00 to 1.00 or Commitment Utilization Percentage (as defined in the Credit Agreement) exceeds 50%, then the foregoing references above to "25%" of the Projected PDP Volume or Projected PDP Revenue, as applicable, are "50%". As of December 31, 2024, the Company is subject to the 50% minimum hedging requirement referenced above.

Restricted payments, such as dividends and stock repurchases, may be made under the Credit Agreement as long as (i) no default or event of default exists at the time of such payment or result therefrom, (ii) the Commitment Utilization Percentage does not exceed 75% immediately after giving effect to such payment and (iii) the Ratio of Total Debt to EBITDAX as of the date of such payment does not exceed 1.00 to 1.00 immediately after giving effect to such payment. The Company may make restricted payments from Distributable Free Cash Flow (as defined in the Credit Agreement) if (a) the above limitations (i) and (ii) are met and (b) the Ratio of Total Debt to EBITDAX as of the date of such payment does not exceed 1.75 to 1.00 immediately after giving effect to such payment.

Note 6: Derivative instruments

Overview

Our results of operations, financial condition and capital resources are highly dependent upon the prevailing market prices of, and demand for, oil, natural gas and natural gas liquids. These commodity prices are subject to wide fluctuations and market uncertainties. To mitigate a portion of this exposure, we enter into various types of derivative instruments. As of December 31, 2024, our natural gas, NGL, and oil derivatives consisted of the following types of instruments:

- Swaps: We receive a fixed price for the hedged commodity and pay a variable market price to the contract counterparty.
- Collars: Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, we receive the fixed floor or ceiling price, as applicable, and pay the market price. If the market price is between the put and the call strike prices, no payments are due from either party.
- Basis Swaps: These instruments are arrangements that guarantee a fixed price differential to NYMEX from a specified delivery point. We receive the fixed price differential and pay the floating market price differential to the counterparty for the hedged commodity. Basis swaps also include oil swap contracts to fix the differential in pricing between the WTI NYMEX calendar month average and the physical crude oil delivery month (“oil roll”) pursuant to which we pay the periodic variable oil roll and receive a weighted-average fixed price differential.

We have the following outstanding derivatives as of December 31, 2024:

Crude oil contracts	**Volume MBbls**	**Weighted Average Floor Price per Bbl**	**Weighted Average Ceiling Price per Bbl**	**Weighted Average Fixed Price per Bbl**
2025				
Oil basis swaps	675	$ —	$ —	$ 0.43
Oil collars	727	$ 62.82	$ 80.64	$ —
2026				
Oil collars	519	$ 59.59	$ 77.06	$ —

Natural gas contracts	**Volume BBtu**	**Weighted Average Floor Price per MMBtu**	**Weighted Average Ceiling Price per MMBtu**	**Weighted Average Fixed Price per MMBtu**
2025				
Natural gas basis swaps	7,820	$ —	$ —	$ (0.32)
Natural gas collars	8,560	$ 3.18	$ 4.36	$ —
2026				
Natural gas basis swaps	580	$ —	$ —	$ 0.40
Natural gas collars	6,720	$ 3.13	$ 4.55	$ —

NGL contracts	**Volume Thousands of Gallons**	**Weighted Average Fixed Price per Gallon**
2025		
Butane	3,550	$ 0.89
Natural gasoline swaps	4,385	$ 1.46
Propane swaps	12,305	$ 0.74

Effect of derivative instruments on the consolidated balance sheets

All derivative financial instruments are recorded on the consolidated balance sheets at fair value. See “Note 7: Fair value measurements” for additional information regarding fair value measurements. The estimated fair values of derivative instruments are provided below. The carrying amounts of these instruments are equal to the estimated fair values.

(in thousands)	**Assets**	**Liabilities**	**Net value**	**Assets**	**Liabilities**	**Net value**
Natural gas derivative contracts	$ 1,315	$ (1,835)	$ (520)	$ 3,843	$ (153)	$ 3,690
NGL derivative contracts	104	(828)	(724)	279	(217)	62
Crude oil derivative contracts	1,497	(125)	1,372	1,700	(69)	1,631
Total derivative instruments	2,916	(2,788)	128	5,822	(439)	5,383

Less:	As of December 31, 2024			As of December 31, 2023		
Netting adjustments (1)	(1,873)	1,873	—	(211)	211	—
Derivative instruments - current	937	(499)	438	3,810	—	3,810
Derivative instruments - long-term	$ 106	$ (416)	$ (310)	$ 1,801	$ (228)	$ 1,573

(1) Amounts represent the impact of master netting agreements that allow us to net settle positive and negative positions with the same counterparty. Positive and negative positions with counterparties are netted only to the extent that they relate to the same current versus noncurrent classification on the balance sheet.

Effect of derivative instruments on the consolidated statements of operations

We do not apply hedge accounting to any of our derivative instruments. As a result, all gains and losses associated with our derivative contracts are recognized immediately as “Derivative gains (losses), net” in our consolidated statements of operations.

“Derivative gains (losses), net” in our consolidated statements of operations consists of the following:

	2024			2023		
(in thousands)	Non-cash Fair Value Adjustment	Settlements Received (Paid)	Total	Non-cash Fair Value Adjustment	Settlements Received (Paid)	Total
Crude oil derivatives	$ (259)	$ (573)	$ (832)	$ 9,510	$ (6,640)	$ 2,870
Natural gas derivatives	(4,210)	4,667	457	385	15,130	15,515
NGL derivatives	(785)	(1,385)	(2,170)	(1,013)	1,769	756
Derivative gains (losses), net	$ (5,254)	$ 2,709	$ (2,545)	$ 8,882	$ 10,259	$ 19,141

Subsequent to December 31, 2024, we entered into the following derivative contracts:

Crude oil contracts	Volume MBbls	Weighted Average Floor Price per Bbl	Weighted Average Ceiling Price per Bbl
2026			
Oil collars	43	$ 57.00	$ 72.52
2027			
Oil collars	83	$ 57.00	$ 72.56

Natural gas contracts	Volume BBtu	Weighted Average Floor Price per MMBtu	Weighted Average Ceiling Price per MMBtu
2025			
Natural gas collars	670	$ 4.01	$ 5.80
2026			
Natural gas collars	1,395	$ 3.86	$ 5.57
2027			
Natural gas collars	3,035	$ 3.40	$ 4.87

NGL contracts	Volume Thousands of Gallons	Weighted Average Fixed Price per Gallon
2025		
Butane	280	$ 0.93
Natural gasoline swaps	360	$ 1.41
Propane swaps	980	$ 0.78
2026		
Butane	530	$ 0.93
Natural gasoline swaps	660	$ 1.41
Propane swaps	1,840	$ 0.78

Note 7: Fair value measurements

Recurring fair value measurements

Our financial instruments recorded at fair value on a recurring basis consist of commodity derivative contracts (see “Note 6: Derivative instruments”) and assets in our Rabbi Trust and Secular Trust (see “Note 10: Deferred compensation“). They are categorized according to the fair value hierarchy defined by the FASB as either Level 1, Level 2 or Level 3 estimates (see “Note 1: Nature of operations and summary of significant accounting policies” for a description of the fair value levels). Our derivative contracts classified as Level 2 as of December 31, 2024 and 2023 consisted of commodity price swaps, including our oil roll contracts, which are valued using an income approach. Future cash flows from these derivatives are estimated based on the difference between the fixed contract price and the underlying published forward market price and are discounted at a rate that captures our own nonperformance risk for derivative liabilities or that of our counterparties for derivative assets.

As of December 31, 2024 and 2023 our derivative contracts classified as Level 3 consisted of collars, gas basis swaps and put options. The fair value of these contracts is developed by a third-party pricing service using a proprietary valuation model, which we believe incorporates the assumptions that market participants would have made at the end of each period. Observable inputs include contractual terms, published forward pricing curves, and yield curves. Significant unobservable inputs are implied volatilities and proprietary pricing curves. Significant increases (decreases) in implied volatilities in isolation would result in a significantly higher (lower) fair value measurement. We review these valuations and the changes in the fair value measurements for reasonableness. All derivative instruments are recorded at fair value and include a measure of our own nonperformance risk for derivative liabilities or our counterparty credit risk for derivative assets.

The fair value hierarchy for our derivative assets and liabilities is shown by the following table:

	As of December 31, 2024			As of December 31, 2023		
(in thousands)	Derivative Assets	Derivative Liabilities	Net Assets (Liabilities)	Derivative Assets	Derivative Liabilities	Net Assets (Liabilities)
Significant other observable inputs (Level 2)	$ 138	$ (885)	$ (747)	$ 639	$ (217)	$ 422
Significant unobservable inputs (Level 3)	2,778	(1,903)	875	5,183	(222)	4,961
Netting adjustments (1)	(1,873)	1,873	—	(211)	211	—
	$ 1,043	$ (915)	$ 128	$ 5,611	$ (228)	$ 5,383

(1) Amounts represent the impact of master netting agreements that allow us to net settle positive and negative positions with the same counterparty. Positive and negative positions with counterparties are netted on the balance sheet only to the extent that they relate to the same current versus non-current classification.

Nonrecurring fair value measurements

Asset retirement obligations. Additions to the asset and liability associated with our asset retirement obligations are measured at fair value on a nonrecurring basis. Our asset retirement obligations consist of the estimated present value of future costs to plug and abandon or otherwise dispose of our oil and natural gas properties and related facilities. Significant inputs used in determining such obligations include estimates of plugging and abandonment costs, inflation rates, discount rates, and well life, all of which are Level 3 inputs according to the fair value hierarchy. See "Note 8: Asset retirement obligations" for additional information regarding our asset retirement obligations. The table below discloses the inflation and discount rate assumptions for the periods presented:

	For the Year Ended December 31,			
	2024		2023	
	Low	High	Low	High
Inflation rate (1)	2.55	2.57	2.45	2.55
Credit adjusted risk-free discount rate	7.28	9.96	7.21	9.96

(1) The inflation rate is measured as a single rate on an annual basis.

Our significant financial instruments, other than derivatives, consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and assets in our Rabbi Trust. We believe the carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair values due to the short-term maturities of these instruments.

The carrying value and estimated fair value of our debt and Rabbi Trust assets at December 31, 2024 and 2023 were as follows:

	December 31, 2024		December 31, 2023	
(in thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Revolving facility (1) (2)	$ 150,000	$ 150,000	$ 25,000	$ 25,000
Rabbi Trust assets (3)	6,090	6,090	2,184	2,184

(1) The carrying value excludes deductions for debt issuance costs and discounts.

(2) The carrying value of our credit facility approximates fair value as the rates are comparable to those at which we could currently borrow under similar terms, are variable and incorporate a measure of our credit risk

(3) The assets of the Rabbi Trust consists of investments in a variety of mutual funds, which are classified as Level 1 equity securities.

Concentrations of credit risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of derivative instruments and accounts receivable. Derivative instruments are exposed to credit risk from counterparties. Our derivative contracts are executed with institutions, or affiliates of institutions, all of whom are parties to our credit facility, and we believe the credit risks associated with all of these institutions are acceptable. We do not require collateral or other security from counterparties to support derivative instruments. Master agreements are in place with each of our derivative counterparties that provide the right to set off in the event of default or termination of the contracts under each respective agreement. As a result of the set off provisions, our maximum amount of loss under derivative transactions due to credit risk is limited to the net amounts due from the counterparties under the derivatives. Our loss is further limited as any amounts due from a defaulting counterparty that is a lender, or an affiliate of a lender, under our credit facilities can be offset against amounts owed to such counterparty lender. As of December 31, 2024, the counterparties to our open derivative contracts consisted of five financial institutions of which all five are also lenders under our Credit Agreement.

The following table summarizes our derivative assets and liabilities, which are offset in the consolidated balance sheets under our master netting agreements.

(in thousands)	Offset in the Consolidated Balance Sheets: Gross Assets (Liabilities)	Offsetting Assets (Liabilities)	Net Assets (Liabilities)	Gross Amounts not Offset in the Consolidated Balance Sheets: Derivatives (1)	Amounts Outstanding Under Credit Facility (2)	Net Amount
December 31, 2024						
Derivative assets	$ 2,916	$ (1,873)	$ 1,043	$ (316)	$ (727)	$ —
Derivative liabilities	(2,788)	1,873	(915)	316	727	128
	$ 128	$ —	$ 128	$ —	$ —	$ 128
December 31, 2023						
Derivative assets	$ 5,822	$ (211)	$ 5,611	$ (228)	$ (5,016)	$ 367
Derivative liabilities	(439)	211	(228)	228	5,016	5,016
	$ 5,383	$ —	$ 5,383	$ —	$ —	$ 5,383

(1) Since positive and negative positions with a counterparty are netted on the balance sheet only to the extent that they related to the same current versus noncurrent classification, these represent remaining amounts that could have been offset under our master netting agreements.
(2) The amount outstanding under our credit facility that is available to offset our net derivative assets due from counterparties that are lenders under our credit facility.

We did not post additional collateral under any of these contracts. Payment on our derivative contracts could be accelerated in the event of a default on our Credit Agreement. The aggregate fair value of our derivative liabilities subject to acceleration in the event of default was $2.8 million at December 31, 2024.

Accounts receivable are primarily from purchasers of oil and natural gas products, and exploration and production companies who own interests in properties we operate. The industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic, industry or other conditions.

Commodity sales to the following purchasers accounted for more than 10% of our total commodity sales, excluding the effects of hedging activities, for the years ended December 31:

	2024	2023
Coffeyville Resources LLC	27.6 %	13.7 %
Phillips 66 Company	17.9 %	19.5 %
Enlink Oklahoma Gas Processing (1)	12.5 %	N/A
Energy Transfer Company (1)	10.1 %	N/A

(1) The purchaser did not account for more than 10% of our commodity sales in both of the periods presented.

If we were to lose a purchaser, we believe we are able to secure other purchasers for the commodities we produce.

Note 8: Asset retirement obligations

The following table presents the balance and activity of our asset retirement obligations:

	Year Ended December 31, 2024	2023
Asset retirement obligations as of beginning of period	$ 14,688	$ 16,132
Liabilities incurred from drilling activities	916	699
Liabilities settled and disposed in current period	(3,283)	(3,776)
Revisions in estimated cash flows	98	290
Accretion expense	1,170	1,343
Asset retirement obligations as of end of period	$ 13,589	$ 14,688
Current portion included in accounts payable and accrued liabilities	$ (640)	$ (940)
Asset retirement obligations, long-term	$ 12,949	$ 13,748

Note 9: Income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We are subject to U.S. federal corporate income taxes and state income tax in Oklahoma.

The components of the income tax expense (benefit) are as follows:

(in thousands)	Year Ended December 31, 2024	2023
Current:		
Federal	$ (928)	$ 928
State	—	(3)
Total current income tax expense (benefit)	(928)	925
Deferred:		
Federal	31,887	10,447
State	3,118	(2,109)
Total deferred income tax expense (benefit)	35,005	8,338
Total income tax expense (benefit)	$ 34,077	$ 9,263

A reconciliation of the U.S. federal statutory income tax rate to the effective tax rate is as follows:

	Year Ended December 31, 2024	2023
Federal statutory rate	21.0	21.0
State income taxes, net of federal benefit	2.0 %	2.2 %
Non-Deductible Expenses	(0.9)	— %
Research credit, federal benefit	5.3 %	(4.0)
Valuation allowance	0.5 %	(13.4)
Return to provision adjustment	— %	(0.1)
Other, net	(0.4)	(0.1)
Effective tax rate	27.5	5.6 %

The components of the deferred tax assets and liabilities are as follows:

(in thousands)	2024	2023
Deferred tax assets:		
Accrued expenses, allowance and other	12,598	4,863
Tax credit carryforwards	1,324	4,302
Net operating loss carryforwards	122,397	103,546
Total deferred tax assets before valuation allowance	136,319	112,711
Less: valuation allowance	(100,341)	(99,575)
Net deferred tax assets	35,978	13,136
Deferred tax liabilities:		
Oil and gas properties	(78,989)	(19,654)

	December 31,	
Other property and equipment	(171)	(405)
Derivative instruments	(31)	(1,300)
Inventories	(130)	(115)
Total deferred tax liabilities	(79,321)	(21,474)
Net deferred tax asset (liability)	$ (43,343)	$ (8,338)

A valuation allowance for deferred tax assets, including net operating losses (“NOLs”), is recognized when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine

whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred tax liabilities, and tax planning strategies as well as the current and forecasted business economics of our industry.

The Company realized three years of cumulative book income as of the year ended December 31, 2024. Furthermore, management determined that the Company’s ability to maintain long-term profitability despite near-term changes in commodity prices and operating costs have demonstrated there is sufficient positive evidence to conclude that it is more likely than not that the net deferred tax assets are realizable.

We will continue to evaluate both the positive and negative evidence on a quarterly basis in determining the need for a valuation allowance with respect to our deferred tax assets. Changes in positive and negative evidence, including differences between estimated and actual results, could result in changes in the valuation of our deferred tax assets that could have a material impact on our consolidated financial statements. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time. For the tax year ended December 31, 2024, the $0.8 million increase in valuation allowance is the result of changes in actual results and future realizability.

We experienced an ownership change within the meaning of Internal Revenue Code (“IRC”) Section 382 as a result of the Chapter 11 reorganization that occurred in 2020. IRC Section 382 provides an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership.

We have federal net operating loss carryforwards of approximately $1,237.0 million at December 31, 2024, of which $780.2 million will expire at various times between 2028 and 2037 if not utilized in earlier periods. However, because of the 2017 Tax Act, the federal net operating loss of $456.8 million generated after December 31, 2017 does not expire but may only offset 80% of taxable income in any given year. At December 31, 2024, we have state net operating loss carryforwards of approximately $1,709.3 million, of which $926.7 million will expire at various times between 2028 and 2037 if not utilized in earlier periods. In addition, at December 31, 2024, we had federal percentage depletion carryforwards in excess of basis of approximately $13.7 million, which are not subject to expiration.

At December 31, 2024 and 2023, we had no liability for uncertain tax positions with respect to federal or state income taxes. We recognize interest and penalties related to uncertain tax positions on the income tax expense line in the accompanying consolidated statement of operations. We file income tax returns in the U.S. federal jurisdiction and in various states, each with varying statutes of limitations. With few exceptions, we are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2021.

Note 10: Deferred compensation

Our deferred compensation includes cash awards and equity-based awards which are either settled in cash or in shares.

Cash Awards

From time to time, we have granted cash awards with long term service-based vesting requirements. We accrue for the cost over the period that service is required to vest. The cash awards are subject to a graded vesting schedule over four annual installments where expense is recognized under the accelerated method. Compensation cost for our cash awards is reflected in general and administrative expenses in the consolidated statements of operations and was $0.4 million for 2024 and $0.3 million for 2023. Unrecognized cash award compensation cost is approximately $0.2 million as of December 31, 2024 and is expected to be recognized over a weighted-average period of 2.2 years.

As of December 31, 2024, the outstanding liability accrued for our long term service-based cash awards, based on requisite service provided, was not material.

Equity Awards

In December 2020, we adopted the 2020 EIP, and in conjunction with the adoption, we issued restricted stock units (“RSUs”) to participants. Currently, the 2020 EIP provides for the issuance of equity and/or equity based awards for up to 385,819 shares of common stock in the aggregate with respect to awards of options, stock appreciation rights, restricted stock, restricted stock units or stock bonus awards under the plan increased by 10,000 for potential awards to independent directors of the Board, provided, however, that no more than 385,819 shares of common stock may be delivered in respect of Incentive Stock Options awarded under the Plan.

RSUs granted generally consists of RSUs subject to either a service-based vesting condition (the “Time Units”) or a combined performance-based and market-based vesting condition (the “Performance Units”). The Time Units vest in one year or over four equal annual installments. The Performance Units vest upon achievement of a change in control event that yields a threshold multiple of investment, where different levels of the multiple of investment above the threshold result in different vesting percentages as follows:

Multiple of Investment	Vesting Percentage
< 1.50	—%
1.50	20%
1.75	40%
2.00	60%
2.25	80%
2.50	100%

In August 2021, the Company modified the provisions of its Performance Units to: (i) allow nonmonetary consideration received in a change in control transaction to be included in the vesting calculation, where the vesting percentage will be based on the amount of cash received when the nonmonetary consideration is eventually monetized and (ii) accommodate multiple monetization events including dividends by aggregating them over time for purpose of vesting calculations. The Company categorized these revisions as a Type IV modification under accounting guidance and hence compensation expense will be based on the fair value of the modified award on the modification date with no regard to the fair value of the original award. The fair value of the modified award was estimated to be $44.35 per unit.

The Time Units are to be settled in cash or shares at the Company’s election on the earlier of (i) the seventh anniversary of the grant date or (ii) when a change in control occurs. The Performance Units are to be settled in cash or shares at the Company’s election when a change in control occurs, assuming the multiple of investment threshold is met. Please see “Note 1: Nature of operations and summary of significant accounting policies” for a discussion of our policies with respect to these RSUs.

A summary of the RSU activity under our 2020 EIP is presented below:

	Weighted Average	Vest Date	Weighted Average

	Time Units			Performance Units	
	Grant Date Fair Value ($ per unit)	Restricted Units	Fair Value (in thousands)	Grant Date Fair Value ($ per unit)	Restricted Units
Unvested and outstanding at December 31, 2022	$ 84.21	80,493		$ 69.75	196,219
Granted	$ 110.98	8,052		$ 102.40	9,078
Vested	$ 79.29	(33,660)	$ 2,687	$ —	—
Forfeited	$ 110.98	(500)		$ 102.40	(1)
Unvested and outstanding at December 31, 2023	$ 91.11	54,385		$ 71.19	205,296
Granted	$ 110.98	4,252		$ 102.40	3,682
Vested	$ 78.50	(36,058)	$ 2,830	$ —	—
Forfeited	$ 110.98	(1,711)		$ 102.40	(3,332)
Unvested and outstanding at December 31, 2024	$ 115.44	20,868		$ 71.24	205,646

Dividend equivalents

As disclosed in "Note 1: Nature of operations and summary of significant accounting policies" the Company paid cash dividends at various times during 2024. The Company did not declare or pay any dividends on its common stock in 2023. The 2020 EIP and the grants made thereunder specify that, in the event cash dividends on common stock are paid, dividend equivalents are to be paid with respect to outstanding equity grants and unallocated units.

Performance Units — Dividend equivalents are paid to participants immediately in cash and are not subject to any further vesting requirement. The Company shall initially charge these dividends to retained earnings. However, since these dividend equivalents are nonforfeitable and the Company's accounts for forfeitures when they occur, the Company shall reclassify to compensation cost, in the period in which any forfeitures occur, the amount of dividend equivalents previously charged to retained earnings to the extent related to awards that are forfeited.

Time Units — Dividend equivalents on all outstanding Time Units (vested and unvested) are paid in cash into the Rabbi Trust, which is an irrevocable trust used to fund the Company's future obligations with respect to dividend equivalents that accrue to the Time Units. The dividend equivalents are settled at the same time as settlement of the Time Units and only the portion of dividends equivalents associated with vested units will be paid to the participant. Whenever forfeitures of Time Units occur, the portion of dividend equivalents within the Rabbi Trust associated with the forfeited units are transferred to the Secular Trust. The assets of the Rabbi Trust, which are to be invested in a variety of mutual funds and classified as equity securities, will be consolidated by the Company. These assets are recorded at fair value with changes in fair value recognized in "Other income (loss), net" in our consolidated statement of operations. The Company shall recognize a deferred compensation obligation for the portion of dividend equivalents associated with vested Time Units, as each vesting occurs, with a corresponding charge to retained earnings.

Unallocated units — Dividend equivalents equal to the cash dividends that would otherwise have been paid with respect to unallocated equity award units will be deposited into the Secular Trust. Funds held in the Secular Trust are meant to fund future employee compensation actions under the 2020 EIP. The assets of the Secular Trust are consolidated by the Company and since the funds are invested in money market securities, they will be included within cash and cash equivalents on the consolidated balance sheet with interest income recognized as a component of "Other income (loss), net" in our consolidated statement of operations.

The table below discloses certain dividend equivalent activity and balances related to our equity grants:

(in thousands)	**2024**	**2023**
Dividend Equivalents on Performance Units		
Amount charged to retained earnings	$ 5,036	$ —
Dividend Equivalents on Time Units		
Deferred compensation obligation related to vested units - charged to retained earnings	$ 3,531	$ 475
Balance of Rabbi Trust assets as of beginning of period ("Other assets")	2,184	1,878
Amount funded - recorded to Rabbi Trust	3,595	—
Unrealized gain (loss) on Rabbi Trust assets ("Other income (loss), net")	366	306
Transfers to Secular Trust	(55)	—
Balance of Rabbi Trust assets as of period end ("Other assets")	$ 6,090	$ 2,184

Dividend Equivalents on Unallocated Units	Year Ended December 31,	
Balance of Secular Trust assets as of beginning of period (“Cash and cash equivalents”)	$ 625	$ 846
Amount funded - recorded to Secular Trust	1,155	—
Interest income on Secular Trust assets (“Other income (loss), net”)	44	21
Transfers from Rabbi Trust	55	—
Cash award compensation	(343)	(242)
Balance of Secular Trust assets as of period end (“Cash and cash equivalents”)	$ 1,536	$ 625

Stock-based compensation cost

Compensation cost is calculated net of forfeitures and we recognize the impact of forfeitures on expense due to employee terminations as they occur. For awards with performance conditions, we assess the probability that a performance condition will be achieved at each reporting period to determine whether and when to recognize compensation cost.

A portion of stock-based compensation cost associated with employees involved in our acquisition, exploration, and development activities has been capitalized as part of our oil and natural gas properties. The remaining cost is reflected in lease operating and general and administrative expenses in our consolidated statements of operations. Stock-based compensation expense is as follows for the periods indicated:

	Year Ended December 31,	
	2024	2023
Stock-based compensation expense	$ 1,699	$ 3,123
Less: stock-based compensation cost capitalized	(293)	(576)
Total stock-based compensation expense, net	$ 1,406	$ 2,547

Unrecognized stock-based compensation cost of approximately $0.7 million as of December 31, 2024 is expected to be recognized over a weighted-average period of 1.5 years. We do not expect to repurchase or settle in cash any RSUs in 2025.

Valuation of Awards

Compensation cost is generally recognized and measured according to the grant date fair value of the awards. For our Time Units with a service-based vesting condition, the fair value is based on the estimated value of our equity on the grant date, which is largely driven by fair value estimates of our enterprise value and associated company liabilities. Our enterprise value is primarily driven by the value of our oil and natural gas reserves at prevailing commodity strip prices on the valuation date. For our outstanding Performance Units with a combination performance and market condition, we determine the fair value of this award by assuming that a change in control occurs and then determining whether and to what extent the market condition is met by simulating future possible stock prices and resulting vesting percentages. By utilizing Monte Carlo simulation, the Performance Unit valuation incorporates the probability of vesting and the potential value of the award at vesting conditioned upon a change in control occurring. However, since a change in control event is not believed to be probable prior to its occurrence, no expense is recognized until such event actually occurs. When a change in control event occurs, the entire compensation cost related to these awards will be recognized regardless of the number of shares that actually vest. As our common stock is not traded on a public market, a discount for lack of marketability is applied to both Time Units and Performance Units.

The fair value and associated assumptions, which are considered to be Level 3 inputs within the fair value hierarchy, for our RSUs are as follows:

Valuation assumptions of Time and Performance Units	June 1, 2022 (1)	December 31, 2021
Risk free rate	2.96	1.26
Volatility	62.6	79.9
Estimated fair value per Time Unit	$ 110.98	$ 59.36
Estimated fair value per Performance Unit	$ 102.40	$ 50.41
Time till change in control event (years)	5	5

Discount for lack of marketability (Finnerty model)	25 %	30 %

Valuation Date

~~(1) The Company's valuation assumptions have remained unchanged from 2022. Management considers these assumptions to be reasonable for~~ 2023 and 2024 when given consideration to the limited number of grants and consistency of operation and size of the Company subsequent to 2022.

Note 11: Retirement benefits

We provide a 401(k) retirement plan for all employees and matched 100% of employee contributions up to 7% of each employee's gross wages during 2024 and 2023. At December 31, 2024 and 2023, there were 68 employees participating in the plan. Our contribution expense was as follows:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
401(k) contribution expense	$ 968	$ 846

Note 12: Revenue recognition

Description of products and revenue disaggregation

Our revenue is predominantly derived from the production and sale of oil, natural gas and NGLs. Our oil and natural gas properties are located in Oklahoma with our products sold to midstream gas processing plants or crude oil refineries in the vicinity or to gas marketing entities. We have disaggregated revenue based on the separate commodities being sold: crude oil, natural gas and NGLs. In selecting the disaggregation categories, we considered a number of factors such as those affecting supply and demand and thus market prices, storage and the ability to transport the product, industry specific disclosures required by the FASB, other external disclosures we typically make, and information we have historically presented in the management discussion and analysis section of our annual and quarterly reports. As such, we believe that disaggregating revenue by commodity type appropriately depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

The following table displays the revenue disaggregated and reconciles the disaggregated revenue to the revenue reported:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Revenues:		
Oil	$ 195,643	$ 183,354
Natural gas	45,552	56,459
Natural gas liquids	60,136	64,733
Gross commodity sales	301,331	304,546
Transportation and processing	(21,662)	(22,451)
Total net commodity sales	$ 279,669	$ 282,095

Performance Obligations

Our oil, natural gas and natural gas liquids contracts typically contain only one type of performance obligation, which is for the delivery of the underlying commodity, and which is satisfied at the point in time the commodity is transferred to the customer. We consider each commodity (e.g. barrel of oil or MMBtu of natural gas) to be a separate performance obligation. For natural gas and natural gas liquids, we predominantly sell to midstream processing entities engaged in the processing of gas and marketing the resulting residue gas and NGLs to third party customers. We also take a portion of our residue gas in-kind from midstream processing entities which we sell to various energy marketing entities. The sale of the commodity to the midstream processing customer occurs at the wellhead and we recognize revenue upon such delivery.

Under our oil sales contracts, we generally sell oil to the purchaser from storage tanks near the wellhead and collect a contractually agreed upon index price, net of pricing differentials. We transfer control of the product from the storage tanks to the purchaser and recognize revenue based on the contract price.

We do not engage in activities to purchase and sell third party commodity products. As a result, the commodity revenues we recognize are only for our working interest share of the production.

Pricing and measurement

All of our contracts use market or index-based pricing resulting in the entire transaction price being variable. Since our sales transactions meet the variable allocation criteria in the standard, all consideration is allocated entirely to performance obligations satisfied by distinct commodity units delivered. We record revenue in the month production is delivered to the purchaser. However, settlement statements for our commodity sales are received one to three months after the date production is delivered, and as a result, we are required to estimate the amount of production that was delivered to the purchaser and the price that will be received for the sale of the product. We record the differences between our estimates and the actual amounts for product sales in the month that payment is received from the purchaser. Historically, differences between our revenue estimates and actual revenue received have not been significant. We receive payment for a majority of our sales receivables in the month following delivery and substantially all within three months following delivery. For the year ended December 31, 2024, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

Transaction Price Allocated to Remaining Performance Obligations

For our product sales that have a contract term greater than one year, we have utilized the practical expedient in the accounting guidance, which states that a company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Each unit of product delivered to the customer represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required. For our product sales that have a contract term of one year or less, we have utilized the practical expedient in the accounting guidance, which states that a company is not required to disclose the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

Nature of gas contracts

Midstream processing plants, to which we sell our natural gas and natural gas liquids, deduct transportation and processing costs from the sales proceeds remitted to us. These deductions are for costs to prepare and transport production from the wellhead to a specified sales point and processing costs of gas into natural gas liquids. For gas sold at the wellhead, these costs are deducted from gross sales to arrive at net sales (as disclosed in the table above), and for gas that we take in-kind at the tailgate of the processing plant, these costs are recorded as operating expenses (as disclosed in our statement of operations). The Company takes a portion of its natural gas production in-kind and sells that gas to various energy marketing entities.

Contract assets and liabilities

We recognize a receivable for the unconditional right to receive consideration when the commodity is transferred to the customer, at which point the performance obligation is satisfied. All our contract assets are in the form of receivables which are presented as “Commodity sales receivables” in our tabular disclosure of accounts receivable in “Note 1: Nature of operations and summary of significant accounting policies.” Since we are not entitled to advance payments from our customers prior to the transfer of our commodities nor do we receive such payments, we do not have contract liabilities.

Note 13: Leases

Financing leases

Our outstanding financing leases are for our fleet trucks and for a limited amount of office equipment. The fleet truck financing obligations are for 30 to 48 month terms with the option for us to purchase the vehicle at any time during the lease term by paying the lessor's remaining unamortized cost in the vehicle. In many instances, at the end of the lease term, the lessor's remaining unamortized cost in the vehicle will be a de minimis amount and hence ownership of the vehicle can be transferred to us at minimal cost. There are no residual value guarantees or non-lease components under these leases.

Operating leases

We commenced a lease on office space for our headquarters in February 2021 for a period of three years with annual rent of $0.4 million. The Company extended the lease in August 2023 for an additional two years, which extended the expiration date to January 2026.

Short term leases

Our short term leases are those with lease terms of 12 months or less and generally consist of wellhead compressors, generators and drilling rigs with terms ranging from one month to six months. As discussed above, we have elected not to recognize right of use assets or lease liabilities for leases with durations of 12 months or less.

Lease assets and liabilities

Our operating and financing lease assets and liabilities are recorded on our balance sheet as of December 31, 2024 as follows:

	December 31, 2024		December 31, 2023	
(in thousands)	**Financing Leases**	**Operating Leases**	**Financing Leases**	**Operating Leases**
Right of use asset:				
Right of use assets from operating leases (1)	$ —	$ 463	$ —	$ 852
Plant, property and equipment, net (2)	1,470	—	1,387	—
Total lease assets	$ 1,470	$ 463	$ 1,387	$ 852
Lease liability:				
Account payable and accrued liabilities	$ —	$ 433	$ —	$ 383
Long-term debt and financing leases, classified as current	572	—	474	—
Long-term debt and financing leases, less current maturities	735	—	824	—
Noncurrent operating lease obligations	—	38	—	471
Total lease liabilities	$ 1,307	$ 471	$ 1,298	$ 854

(1) Consists of a lease of office space.

(2) Consisted of leased fleet vehicles and office equipment.

Our income, expenses and cash flows related to our leases is as follows for the year ended December 31, 2024:

(in thousands)	**2024**	**2023**

Lease cost	Year Ended December 31,	
Finance lease cost:		
Amortization of right-of-use assets	$ 498	$ 450
Interest on lease liabilities	105	85
Operating lease cost	449	432
Short-term lease cost	572	540
Total lease cost	$ 1,624	$ 1,507

Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for finance leases	$ (105)	$ (85)
Operating cash flows for operating leases	(441)	(428)
Financing cash flows for finance leases	(507)	(434)
Decrease in right-of-use asset from finance lease modification or termination (1)	41	122
Decrease in lease liability from finance lease modification or termination (1)	39	26
Right-of-use assets obtained in exchange for new finance lease (2)	554	774
Right-of-use assets obtained in exchange for new operating lease (3)	—	793

(1) Amounts reflect early termination of fleet truck leases where the trucks were sold and the proceeds were partially utilized to pay off the remaining lease liability.

(2) Amounts reflect the addition of 12 and 14 new trucks leases in 2024 and 2023, respectively.

(3) Amount in 2023 reflects the extension of the operating lease for our headquarters office space.

	As of December 31,			
	2024		2023	
Weighted-average remaining lease term - finance leases		2.5 years		3.0 years
Weighted-average remaining lease term - operating leases		1.1 years		2.1 years
Weighted-average discount rate - finance leases	8.84	%	8.27	%
Weighted-average discount rate - operating leases	9.00	%	9.00	%

Our rent expense for the years ended December 31, 2024 and 2023 was $7.0 million and $6.5 million, respectively.

Discount rate

Whenever possible, we utilize the implied rate in our lease agreements to measure our lease liabilities. In the absence of a readily available implied rate, we utilize our incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Lease maturities

Our lease payments for each of the next five years and thereafter are as follows:

2025	$ 670	$ 454
2026	540	38
2027	299	—
2028	3	—
2029	—	—
Thereafter	—	—
Total minimum lease payments	1,512	492
Less: imputed interest	(205)	(21)
Total lease liability	1,307	471
Less: current maturities of lease obligations	572	433

(in thousands)	Financing Leases	Operating Leases

Noncurrent lease obligations	$ 735	$ 38

Note 14: Commitments and contingencies

Leases. Our leases currently consist of financing leases for fleet vehicles and office equipment. Please see “Note 13: Leases” for a detailed discussion of these contracts.

Surety bonds. Surety bonds totaling $5.8 million were posted on our behalf as of December 31, 2024 and we have posted cash collateral in respect of the bonds totaling $0.2 million.

Litigation and Claims

The Company is currently named as a defendant in a lawsuit filed in the U.S. District Court for the Western District of Oklahoma (the “Court”), styled Wake Energy, LLC (“Plaintiff”) v Canvas Energy LLC. The case is a purported class action pursuant to which the Plaintiff seeks to represent a group of persons who are alleged to be owed statutory interest on late paid revenues; however, the purported class has not been certified yet. Specifically, the suit asserts claims in excess of $5.0 million for interest alleged to be due under Oklahoma’s Production Revenue Standards Act. In December 2023, the Company and Plaintiff reached a memorandum of understanding with respect to the settlement of the claims, and the full and final terms of a stipulation and agreement of settlement were formalized in January 2024. Pursuant to the settlement, the Company will, among other things, pay $4.5 million into a settlement fund upon the Court’s entry of a final approval order. The final approval order will be preceded by certification of the settlement class by the Court for the purposes of the settlement only, preliminary approval by the Court of the settlement, approval by the Court of notices related to the settlement, the provision of notices to class members, and the opportunity for class members to opt out of the settlement. The timing of these actions is largely dependent on the Court’s schedule. As of December 31, 2024, the Company has recorded a $4.5 million accrual for the cost of this case, which is reflected on the consolidated balance sheet as “Accounts payable and accrued liabilities.”

We are involved in various other legal proceedings including, but not limited to, commercial disputes, claims from royalty and surface owners (including those alleging damages from induced earthquakes), property damage claims, personal injuries, quiet title actions, personal injury claims, employment claims, and other matters which arise in the ordinary course of business. While the

outcome of these legal proceedings cannot be predicted with certainty, we do not expect any of them individually to have a material effect on our financial condition, results of operations or cash flows.

Note 15: Supplemental Information on Oil and Natural Gas Producing Activities (Unaudited)

The supplemental unaudited information regarding the Company’s oil and gas activities is presented in accordance with the full cost method of accounting for its oil and gas exploration and development activities. All of the Company’s reserves are located within the United States.

Capitalized Costs Related to Oil and Natural Gas Producing Activities

The Company’s capitalized costs for oil and natural gas activities consisted of the following (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Proved properties	$ 787,589	$ 626,797
Unproved properties	39,612	17,727
Total oil and natural gas properties	827,201	644,524
Accumulated depletion and amortization	(241,170)	(178,404)
Net capitalized costs	$ 586,031	$ 466,120

Cost Incurred in Oil and Natural Gas Property Acquisition, Development and Exploratory Activities

Costs incurred in oil and natural gas property acquisition, exploration and development activities which have been capitalized are summarized as follows (in thousands):

		Year Ended December 31, 2024		Year Ended December 31, 2023
Acquisition	$	26,877	$	7,298
Development		155,277		133,612
Exploratory (1)		2,039		761
Total	$	184,193	$	141,671

(1) Includes geological and geophysical costs.

Capitalized interest is included as part of the cost of oil and natural gas properties. The Company capitalized $3.1 million and $1.8 million for the years ended December 31, 2024 and 2023, respectively.

Results of Operations for Oil and Natural Gas Producing Activities

The following table (in thousands) includes revenues and expenses associated directly with our natural gas, oil and NGL producing activities for the periods presented. It does not include any derivative activity, interest costs or indirect general and administrative costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of our natural gas, oil and NGL operations.

		Year Ended December 31, 2024		Year Ended December 31, 2023
Revenues	$	279,669	$	282,095
Lease operating expenses		(41,086)		(39,169)
Transportation and processing costs		(5,589)		(5,844)
Production taxes		(16,336)		(16,553)
Depreciation, depletion, accretion and amortization		(63,937)		(52,432)
Income tax expense (1)		(36,897)		(40,612)
Results of operations for oil and natural gas producing activities	$	115,824	$	127,485

(1) The income tax expense is hypothetical and calculated by applying statuary tax rates to the revenues after deducting cost. It is also determined without regard to our deduction for general and administrative expenses, interest costs and other income tax credits and deductions.

Oil, Natural Gas, and NGL Reserve Quantities

The estimate of proved reserves and related valuations at the end of each period presented below were based upon the reports of Cawley, Gillespie & Associates, Inc., an independent petroleum and geological engineering firm, and our engineering staff. Users of this information should be aware that the process of estimating quantities of “proved” and “proved developed” crude oil and natural gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors, including additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions to existing reserve estimates occur from time to time.

The following prices for oil, natural gas, and natural gas liquids before field differentials were used in determining our reserves:

		2024		2023
Oil (per Bbl)	$	75.48	$	78.22
Natural gas (per Mcf)	$	2.13	$	2.64
Natural gas liquids (per Bbl)	$	23.27	$	23.67

The following table presents estimated volumes of proved developed and undeveloped oil and gas reserves as of December 31, 2024 and 2023 and changes in proved reserves during the last two years. The reserve reports use an average price equal to the unweighted arithmetic average of hydrocarbon prices received on the first day of each month within the 12-month period ended December 31, 2024 and 2023, in accordance with guidelines of the SEC applicable to reserves estimates.

	Oil (MBbls)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	Total (MBoe)
Proved developed and undeveloped reserves				
Balance at December 31, 2022	17,548	232,107	30,136	86,368
Sales of minerals in place	(36)	(362)	(37)	(133)
Extensions and discoveries	3,967	23,573	2,810	10,706
Revisions	(290)	(9,739)	(2,536)	(4,449)
Production	(2,393)	(22,740)	(2,830)	(9,013)
Balance at December 31, 2023	18,796	222,839	27,543	83,479
Sales of minerals in place	(214)	(1,705)	(139)	(637)
Purchases of minerals	29	787	62	222
Extensions and discoveries	7,322	39,631	3,920	17,847
Revisions	(2,407)	(11,257)	(2,864)	(7,147)
Production	(2,616)	(22,860)	(2,493)	(8,921)
Balance at December 31, 2024	20,910	227,435	26,029	84,843
Proved developed reserves:				
December 31, 2023	14,639	201,792	25,091	73,361
December 31, 2024	15,260	196,625	23,127	71,156
Proved undeveloped reserves:				
December 31, 2023	4,157	21,047	2,453	10,118
December 31, 2024	5,650	30,810	2,902	13,687

2024 Activity. Proved reserves increased from 83.5 MMBoe at December 31, 2023 to 84.8 MMBoe at December 31, 2024, primarily due to 17.8 MMBoe of extensions and discoveries. These were partially offset by negative revisions including 7.1 MMBoe due to a decrease in year-end SEC commodity prices for oil and natural gas and price realizations, as well as 8.9 MMBoe from the Company's production during 2024.

2023 Activity. Proved reserves decreased from 86.4 MMBoe at December 31, 2022 to 83.5 MMBoe at December 31, 2023, primarily due to a decrease in revisions of 4.5 MMBoe, as well as 9.0 MMBoe from the Company's production during 2023. The Company also had positive revisions including extensions and discoveries of 10.7 MMBoe.

Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves

The assumptions used to derive the standardized measure of discounted future net cash flows are those required by accounting standards and do not necessarily reflect the Company's expectations. The information may be useful for certain comparative purposes but should not be solely relied upon in evaluating the Company or its performance. Furthermore, information contained in the following table may not represent realistic assessments of future cash flows, nor should the standardized measure of discounted future net cash flows be viewed as representative of the current value of the Company's reserves.

Future cash inflows and future production and development costs as of December 31, 2024 and 2023 were determined by applying the average of the first-day-of-the-month prices for the 12 months of the year and year-end costs to the estimated quantities of natural gas, oil and NGL to be produced. Actual future prices and costs may be materially higher or lower than the prices and costs used. For each year, estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on continuation of the economic conditions applied for that year. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor. The summary below presents our future net cash flows relating to proved oil, natural gas and NGL reserves based on the standardized measure (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Future cash flows	$ 2,587,461	$ 2,636,225
Future development and abandonment costs	(169,895)	(120,074)
Future production costs	(896,212)	(841,750)
Future production taxes	(158,494)	(166,670)
Future income taxes	(257,927)	(294,074)
Future net cash flows	1,104,933	1,213,657
10% discount to reflect timing of cash flows	(489,496)	(556,201)
Standardized measure of discounted future net cash flows	$ 615,437	$ 657,456

Canvas Energy Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Estimated future income taxes are computed using current statutory income tax rates including consideration of the current tax basis of the properties and related carryforwards, giving effect to permanent differences and tax credits.

The following table represents the Company's estimate of changes in the standardized measure of discounted future net cash flows from proved reserves (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Sales and transfers of oil and gas produced, net of production costs	$ (216,658)	$ (220,528)
Net changes in prices, production costs, and development costs	(101,312)	(704,166)
Acquisition of oil and gas reserves in place	1,004	—
Extensions and discoveries	221,491	158,849
Previously estimated development costs incurred during the period	45,103	29,532
Revisions of previous quantity estimates, less related production costs	(76,240)	(90,382)
Sales of oil and gas reserves in place	(4,825)	(1,540)
Accretion of discount	82,103	146,814
Net changes in income taxes	16,452	151,877
Change in production rates and other	(9,137)	34,312
Total change in standardized measure of discounted future net cash flows	$ (42,019)	$ (495,232)

Note 16: Subsequent events

Effective January 1, 2025, the Company amended provisions of its Performance Units (see "Note 10: Deferred compensation") to (i) provide for the vesting of Performance Units in the absence of a change in control if, at the seventh anniversary of the grant date, the cumulative cash distributions plus, as appropriate, the fair market value of the equity retained in the Company exceed performance thresholds and (ii) avoid a partial cash-out change in control resulting in the forfeiture of Performance Units if cash proceeds to that date plus residual Company equity exceed performance thresholds. As a result, the Company expects to re-value the Performance Units in 2025 in accordance under Accounting Standards Codification 718 "Stock Compensation".

Condensed Consolidated Financial Statements

For the year to date period ended September 30, 2025

Canvas Energy Inc.

Index to Financial Statements

Glossary

The terms defined in this section are used throughout this document:

ASU	Accounting Standards Update.
Bbl	One stock tank barrel of 42 U.S. gallons liquid volume used herein in reference to crude oil, condensate, or natural gas liquids.
BBtu	One billion British thermal units.
Boe	One barrel of crude oil equivalent, determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil.
Btu	British thermal unit, which is the heat required to raise the temperature of one pound of water from 58.5 to 59.5 degrees Fahrenheit.
CEI Representative LLC	A Delaware limited liability company, as the Canvas equity holders’ representative under the Merger Agreement
Completion	The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry well, the reporting to the appropriate authority that the well has been abandoned.
Corsair Merger Sub, Inc.	A new wholly owned subsidiary of Diversified Buyer.
Credit Agreement	Credit Agreement, dated as of June 27, 2023, among Canvas Energy Inc. and Bank of

	America, N.A., as administrative agent for the Lenders thereto.
Diversified	Together Diversified Buyer and Diversified Parent, independent energy companies engaged in the production, transportation and marketing of primarily natural gas in the U.S.
Diversified Buyer	Diversified Production, LLC, a wholly-owned subsidiary of Diversified Parent.
Diversified Parent	Diversified Energy Company plc.
Horizontal drilling	A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.
MBbls	One thousand barrels of crude oil, condensate, or natural gas liquids.
MBoe	One thousand barrels of crude oil equivalent.
MBoe/d	One thousand barrels of crude oil equivalent per day.
Mcf	One thousand cubic feet of natural gas.
Merger	The plan of merger as defined under the Merger Agreement.
Merger Agreement	The plan of merger, dated as of September 8, 2025, entered into by and among Diversified Production LLC, Diversified Energy Company PLC, Corsair Merger Sub, Inc., Canvas Energy Inc., and CEI Representative LLC.
MMBoe	One million barrels of crude oil equivalent.
MMBtu	One million British thermal units.
MMcf	One million cubic feet of natural gas.
Natural gas liquids (NGLs)	Those hydrocarbons in natural gas that are separated from the gas as liquids through the process of absorption, condensation, adsorption or other methods in gas processing or cycling plants. Natural gas liquids primarily include propane, butane, isobutane, pentane, hexane and natural gasoline.
Net acres	The sum of fractional working interests owned in gross acres or gross wells.
NYMEX	The New York Mercantile Exchange.
OPEC+	In 2016, The Organization of Petroleum Exporting Countries Plus, also known as OPEC signed an agreement with 10 other oil-producing countries to create what is now known as OPEC+.

Proved reserves	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 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. For additional information, see the SEC’s definition in Rule 1-10(a)(22) of Regulation S-X, a link for which is available at the SEC’s website.
Proved undeveloped reserves	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 recompletion.
PV-10 value	When used with respect to oil and natural gas reserves, PV-10 value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, excluding escalations of prices and costs based upon future conditions, before income taxes, and without giving effect to non-property-related expenses, discounted to a present value using an annual discount rate of 10%.
Rabbi Trust	A trust created pursuant to the Rabbi Trust Agreement entered into between Canvas Energy Inc., as employer, and BOKF, NA., as trustee, on June 14th, 2022 to fund future obligations with respect to dividend equivalents that accrue to certain employee restricted stock units.
SEC	The Securities Exchange Commission.
Secular Trust	A trust created pursuant to the Secular Trust Agreement entered into between Canvas Energy Inc., as employer, and BOKF, NA., as trustee, on June 14th, 2022 for which the funds held are dedicated to future employee compensation.
Seismic	Also known as a seismograph, it is a survey of an area by means of an instrument which records the vibrations of the earth. By recording the time interval between the source of the shock wave and the reflected or refracted shock waves from various formations,

geophysicists are able to define the underground configurations.

Proved developed reserves	Reserves that can be expected to be recovered (i) through existing wells with existing equipment and operating methods, or in which the cost of the required equipment is relatively minor compared to the cost of a new well and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.
Undeveloped acreage	Lease acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or natural gas regardless of whether such acreage contains proved reserves.
Working interest	The right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on a cash, penalty, or carried basis.

Canvas Energy Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

FINANCIAL STATEMENTS

Assets				
Current assets:				
Cash and cash equivalents	$	23,607	$	27,580
Accounts receivable:				
Accounts receivable, gross		29,193		46,830
Allowance for credit losses		(585)		(1,136)
Accounts receivable, net		28,608		45,694
Inventories		6,920		8,158
Prepaid expenses		1,338		2,328
Derivative instruments		3,655		937
Total current assets		64,128		84,697
Property and equipment, net		4,517		4,572
Right of use assets from operating leases		147		463
Oil and natural gas properties, using the full cost method:				
Proved		857,330		787,589
Unevaluated (excluded from the amortization base)		49,343		39,612
Accumulated depreciation, depletion, amortization and impairment		(297,155)		(241,170)
Total oil and natural gas properties, net		609,518		586,031
Derivative instruments		567		106
Other assets		7,970		7,026
Total assets	$	686,847	$	682,895
Liabilities and stockholders’ equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	17,628		39,888
Accrued payroll and benefits payable		5,439		7,673
Accrued interest payable		132		683
Revenue distribution payable		16,641		20,967
Long-term debt and financing leases, current		639		572
Derivative instruments		57		499
Total current liabilities		40,536		70,282
Long-term debt and financing leases, less current maturities		83,509		147,400
Derivative instruments		317		416
Noncurrent operating lease obligations		—		38
Other noncurrent liabilities		5,348		5,360
Asset retirement obligations		13,648		12,949
Deferred income taxes		64,286		43,343
Commitments and contingencies (Note 9)				

(dollars in thousands, except share data)	September 30, 2025	December 31, 2024
Stockholders' equity:		
Preferred stock, 100,000 shares authorized, none issued and outstanding		
Common stock, $0.01 par value, 8,000,000 shares authorized; 4,757,709 issued and outstanding at September 30, 2025 and December 31, 2024.	48	48
Additional paid in capital	178,232	174,807
Retained earnings	300,923	228,252
Total stockholders' equity	479,203	403,107
Total liabilities and stockholders' equity	$ 686,847	$ 682,895

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

Canvas Energy Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2025	2024
Revenues:		
Commodity sales	$ 221,110	$ 202,833
Costs and expenses:		
Lease operating	34,812	30,510
Transportation and processing	6,266	4,034
Production taxes	12,364	11,916
Depreciation, depletion, accretion and amortization	57,578	46,150
General and administrative	15,819	14,043
Total costs and expenses	126,839	106,653
Operating income	94,271	96,180
Non-operating income (expense):		
Interest expense	(5,840)	(5,044)
Derivative gains, net	4,749	2,155
Gain on sale of assets	118	102
Other income, net	1,225	586
Net non-operating income (expense)	252	(2,201)
Income before income taxes	94,523	93,979
Income tax expense (benefit) - current	545	(401)
Income tax expense - deferred	20,943	29,140
Net income	$ 73,035	$ 65,240

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

Canvas Energy Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

	Common stock				
(dollars in thousands)	**Shares Outstanding**	**Amount**	**Additional Paid in Capital**	**Retained Earnings**	**Total**
Balance at January 1, 2025	4,757,709	$ 48	$ 174,807	$ 228,252	$ 403,107
Stock-based compensation	—	—	3,425	—	3,425
Dividends (1)	—	—	—	(364)	(364)
Net income	—	—	—	73,035	73,035
Balance at September 30, 2025	4,757,709	$ 48	$ 178,232	$ 300,923	$ 479,203

(1) Dividend equivalents on outstanding restricted stock units that were funded in a prior period with respect to which the associated restricted stock units vested in the current period.

	Common stock				
(dollars in thousands)	**Shares Outstanding**	**Amount**	**Additional Paid in Capital**	**Retained Earnings**	**Total**
Balance at January 1, 2024	4,757,709	$ 48	$ 173,108	$ 266,191	$ 439,347
Stock-based compensation	—	—	1,422	—	1,422
Dividends	—	—	—	(125,380)	(125,380)
Net income	—	—	—	65,240	65,240
Balance at September 30, 2024	4,757,709	$ 48	$ 174,530	$ 206,051	$ 380,629

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

Canvas Energy Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2025	2024
Cash flows from operating activities		
Net income	$ 73,035	$ 65,240
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	57,578	46,150
Deferred income tax expense	20,943	29,140
Derivative gains, net	(4,749)	(2,155)
Gain on sale of assets	(118)	(102)
Other	793	830
Change in assets and liabilities		
Accounts receivable	14,175	3,158
Inventories	1,238	1,688
Prepaid expenses and other assets	45	(1,063)
Accounts payable and accrued liabilities	(4,773)	(2,922)
Revenue distribution payable	(4,325)	(8,505)
Deferred compensation	2,776	1,197
Net cash provided by operating activities	156,618	132,656
Cash flows from investing activities		
Expenditures for property, plant, and equipment and oil and natural gas properties	(108,264)	(117,021)
Proceeds from asset dispositions	12,396	1,228
Proceeds from derivative settlements, net	1,028	2,134
Net cash used in investing activities	(94,840)	(113,659)
Cash flows from financing activities		
Proceeds from long-term debt	—	130,000
Repayment of long-term debt	(65,000)	(25,000)
Principal payments under financing lease obligations	(511)	(369)
Payment of debt issuance costs and other financing fees	(240)	(1,460)
Dividends paid	—	(125,062)
Net cash used in financing activities	(65,751)	(21,891)
Net decrease in cash and cash equivalents	(3,973)	(2,894)
Cash and cash equivalents, at beginning of period	27,580	23,779
Cash and cash equivalents, at end of period	$ 23,607	$ 20,885

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

Note 1: Nature of operations, summary of significant accounting policies and other

Nature of operations

Canvas Energy Inc. and its subsidiaries, (collectively, “we”, “our”, “us”, “Canvas”, or the “Company”) are engaged in the acquisition, exploration, development, production and operation of oil and natural gas properties. Our properties are located in Oklahoma, where we produce crude oil, natural gas and natural gas liquids. The commodities produced are primarily sold to refineries and gas processing plants within close proximity to our producing properties.

Merger

On September 8, 2025, Canvas and Diversified entered into the Merger Agreement pursuant to which Diversified would acquire Canvas for aggregate consideration of $550 million, comprised of both cash and shares of Diversified Parent, subject to customary closing and post-closing adjustments. The Merger closed on November 24, 2025. Under the Merger Agreement, Canvas survived as a direct or indirect wholly-owned subsidiary of Diversified Buyer and Diversified Parent. As of the closing date, all outstanding shares of common stock of Canvas (as well as restricted stock unit awards) converted into the right to receive the merger consideration.

Interim financial statements

The accompanying unaudited condensed consolidated interim financial statements, while prepared in a manner consistent with GAAP, do not include all of the financial information and disclosures required for complete financial statements under GAAP. These financial statements and the notes thereto should be read in conjunction with our annual report for the year ended December 31, 2024.

The financial information as of September 30, 2025, and for the nine months ended September 30, 2025 and 2024, is unaudited. The financial information as of December 31, 2024 has been derived from the audited financial statements contained in our annual report for the year ended December 31, 2024. In management's opinion, such information contains all adjustments considered necessary for a fair presentation of the results of the interim periods. The results of operations for the nine months ended September 30, 2025 are not necessarily indicative of the results of operations that will be realized for the year ended December 31, 2025.

The preparation of financial statements in accordance with GAAP necessitates management to make estimates and assumptions. These judgments impact the reported values of assets and liabilities, the disclosure of contingent assets and liabilities as of the balance sheet date, and the reported amounts of revenues and expenses during the reporting period.

Dividends

The Company has not declared or paid any dividends on its common stock in 2025. During 2024, the Company's board of directors (the "Board") declared and paid dividends on the Company's common stock as follows: (i) $13.59 per share with a record date of March 21, 2024; (ii) $9.70 per share with a record date of June 10, 2024; and (iii) $1.455 per share with a record date of August 30, 2024.

Units under the Company's equity incentive plan, including both issued awards (consisting of restricted stock units) and unallocated award units, were also entitled to the dividends in the form of dividend equivalents, which the Company has funded (see "Note 8: Deferred compensation").

Cash and cash equivalents

We classify as cash equivalents all highly liquid investments with an original maturity of three months or less. Our cash and cash equivalents are held in diversified bank deposit accounts and money market funds, which may not be fully insured by the Federal Deposit Insurance Corporation (FDIC). We have not experienced any losses on these accounts and believe our exposure to credit risk

associated with them is insignificant. Included in the balance of cash and cash equivalents are money market securities as of September 30, 2025 and December 31, 2024 of $1.5 million deposited in the Secular Trust that may only be used for employee compensation (see "Note 8: Deferred compensation").

Accounts receivable

Our accounts receivable are carried at gross cost, representing amounts due, less an allowance for expected credit losses. We write off accounts receivable when they are determined to be uncollectible. When we recover amounts that were previously written off, those amounts are offset against the allowance and reduce expense in the year of recovery.

The Company has four components constituting its total accounts receivable: (i) joint interest receivables; (ii) commodity sales receivables; (iii) derivative settlement receivables; and (iv) other receivables. Please see "Note 1: Nature of operations and summary of significant accounting policies" in our annual report for the year ended December 31, 2024, for a discussion of the nature of these four receivable components and our accounting policies with respect to them. The table below discloses balances of the four components and the allowance:

(in thousands)	**September 30, 2025**	**December 31, 2024**
Joint interests	$ 7,240	$ 15,839
Commodity sales	20,236	29,339
Derivative settlements	417	327
Other	1,300	1,325
Allowance for credit losses	(585)	(1,136)
Total accounts receivable, net	$ 28,608	$ 45,694

Presentation of credit (gain) loss expense. Our credit (gain) loss expense is included as a component of "General and administrative expenses" on our condensed consolidated statement of operations and is as follows:

(in thousands)	**2025**	**2024**

	Nine Months Ended September 30,	
Credit (gains) losses on receivables	$ (114)	$ (24)

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following:

(in thousands)	September 30, 2025	December 31, 2024
Trade accounts payable	$ 3,204	$ 4,817
Derivative settlement payable	27	137
Asset retirement obligations	903	640
Litigation accrual	4,500	4,500
Capital Accrual	1,187	19,913
LOE Accrual	3,118	3,845
Other accrued liabilities	4,689	6,036
Total accounts payable and accrued liabilities	$ 17,628	$ 39,888

Property and equipment, net

Major classes of property and equipment are shown in the following:

(in thousands)	September 30, 2025	December 31, 2024
Machinery and equipment	$ 1,506	$ 1,471
Office and computer equipment	3,307	3,136
Automobiles and trucks	2,682	2,475
Building and improvements	367	367
Furniture and fixtures	4	4
Total depreciable property and equipment	7,866	7,453
Accumulated depreciation, amortization and impairment	(4,924)	(4,456)
Total depreciable property and equipment, net	2,942	2,997
Land	1,575	1,575
Total property and equipment, net	$ 4,517	$ 4,572

Oil and natural gas properties

Capitalized Costs. We use the full cost method of accounting for oil and natural gas properties and activities. Accordingly, we capitalize all costs incurred in connection with the exploration for and development of oil and natural gas reserves. Proceeds from the disposition of oil and natural gas properties are accounted for as a reduction in capitalized costs, with no gain or loss generally recognized unless such dispositions involve a significant deviation in the depletion rate. We capitalize internal costs that can be directly identified with exploration and development activities, but do not include any costs related to production, general corporate overhead or similar activities. Capitalized costs include geological and geophysical work, 3D seismic, delay rentals, and drilling, completing and equipping oil and natural gas wells, including salaries, benefits, and other internal costs directly attributable to these activities.

Costs associated with unevaluated oil and natural gas properties, which may include leasehold acquisition costs, capitalized interest, seismic data costs and development costs for wells which reserve volumes are not classified as proved, are excluded from the amortizable base until a determination has been made as to the existence of proved reserves. Quarterly, unevaluated leasehold costs, along with seismic data costs and capitalized interest that were previously allocated to the unevaluated acreage parcels, are transferred to the amortization base with the costs of drilling the related well upon proving up reserves of a successful well or upon determination of a dry or uneconomic well. Furthermore, unevaluated oil and natural gas properties are reviewed for impairment if events and circumstances exist that indicate a possible decline in the recoverability of the carrying amount of such property. The impairment assessment is conducted at least once annually and whenever there are indicators that impairment may have occurred. In assessing whether impairment has occurred, we consider factors such as intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; assignment of proved reserves; and economic viability of development if proved reserves are assigned. Upon determination of impairment, all or a portion of the associated leasehold costs are transferred to the full cost pool and become subject to amortization. The processes above are applied to unevaluated oil and natural gas properties on an individual basis or as a group if properties are individually insignificant. Our future depreciation, depletion and amortization rate would increase or we may incur ceiling test write-downs if costs are transferred to the amortization base without any associated reserves. The impairment for unevaluated oil and natural gas properties was not material for the nine months ended September 30, 2025. No impairment was recorded for the nine months ended September 30, 2024.

The costs of unevaluated oil and natural gas properties consisted of the following:

(in thousands)	September 30, 2025	December 31, 2024
Leasehold acreage	$ 41,629	$ 34,755
Capitalized interest	7,714	4,557
Wells and facilities in progress of completion	—	300
Total unevaluated oil and natural gas properties excluded from amortization	$ 49,343	$ 39,612

The carrying value of wells in progress of completion will be transferred to the amortization base upon completion in 2025. Subject to industry conditions and the level of the Company's activities, the inclusion of most of the leasehold acreage and capitalized interest costs referenced above in the Company's amortization calculation typically occurs within three years to five years.

Depreciation, depletion and amortization. Depreciation, depletion and amortization ("DD&A") of oil and natural gas properties are provided using the units-of-production method based on estimates of proved oil and natural gas reserves and production. Our cost basis for depletion includes estimated future development costs to be incurred on proved undeveloped properties. The computation of DD&A takes into consideration restoration, dismantlement, and abandonment costs, and the anticipated proceeds from salvaging equipment. Depreciation expense is as follows for the periods indicated:

	Nine Months Ended September 30,	
(in thousands)	2025	2024
Oil and natural gas properties	$ 56,780	$ 45,276
Property and equipment	798	874
Total DD&A	$ 57,578	$ 46,150

Ceiling Test. In accordance with the full cost method of accounting, the net capitalized costs of oil and natural gas properties are not to exceed their related PV-10 value, net of tax considerations, plus the cost of unproved properties not being amortized.

Our estimates of oil and natural gas reserves as of September 30, 2025, and the related PV-10 value, were prepared using an average price for oil and natural gas on the first day of each month for the prior twelve months as required by the SEC. We did not record any ceiling test impairments during the nine month periods ended September 30, 2025 and 2024.

Revenue recognition

Midstream processing plants, to which we sell our natural gas and natural gas liquids, deduct transportation and processing costs from the sales proceeds remitted to us. These deductions are for costs to prepare and transport production from the wellhead to a specified sales point and processing costs of gas into natural gas liquids. For gas sold at the wellhead, these costs are deducted from gross sales to arrive at net sales (as disclosed in the table below), and for gas that we take in-kind at the tailgate of the processing plant (which we sell to various energy marketing entities), these costs are recorded as operating expenses on our condensed consolidated statement of operations.

The following table displays the revenue disaggregated and reconciles the disaggregated revenue to the revenue reported:

	Nine Months Ended September 30,	
(in thousands)	**2025**	**2024**
Revenues:		
Oil	$ 136,203	$ 143,547
Natural gas	53,231	30,555
Natural gas liquids	46,885	44,892
Gross commodity sales	236,319	218,994
Transportation and processing deducts	(15,209)	(16,161)
Net commodity sales	$ 221,110	$ 202,833

Income taxes

The following table presents the income tax expense (benefit) and the effective income tax rate:

	Nine Months Ended September 30,	
(in thousands)	**2025**	**2024**
Income before income taxes	$ 94,523	$ 93,979
Current income tax expense (benefit)	545	(401)
Deferred income tax expense (benefit)	20,943	29,140
Total income tax expense (benefit)	$ 21,488	$ 28,739
Effective income tax rate	22.7 %	30.6 %

The provision for income taxes is based on a current estimate of the annual effective income tax rate adjusted to reflect the impact of permanent differences and discrete items. Management's judgment is required in estimating operating income in order to determine our effective income tax rate.

The Company recorded income tax expense of $21.5 million and $28.7 million for the nine months ended September 30, 2025 and 2024, respectively. The effective tax rate was approximately 22.7% for the nine months ended September 30, 2025 compared to 30.6% for the nine months ended September 30, 2024. The difference between the Company's effective tax rate for the nine months ended September 30, 2024 and the U.S. statutory tax rate of 21% was primarily due to the adjustment of December 31, 2023 deferred balances related to IRC Section 174 and corresponding attributes. This prior period adjustment was due to a change in tax planning related to IRC Section 174.

At each reporting period, the Company weighs all available positive and negative evidence to determine whether its deferred tax assets are more likely than not to be realized. A valuation allowance for deferred tax assets, including net operating losses ("NOLs"), is recognized when it is more likely than not that some or all of the benefit from the deferred tax assets will not be realized. To assess that likelihood, the Company uses estimates and judgment regarding future taxable income and considers the tax laws in the jurisdiction where such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include current financial position, results of operations, both actual and forecasted, the reversal of deferred tax liabilities and tax planning strategies as well as the current and forecasted business economics of the oil and gas industry. Based upon the Company's analysis, the Company believes that it is more likely than not that a portion of the Company's federal and state deferred tax assets will be utilized. As of September 30, 2025 and December 31, 2024, the Company's valuation allowance was $100.3 million associated with its federal and state deferred tax assets.

The Company will continue to evaluate both the positive and negative evidence on a quarterly basis in determining the need for a valuation allowance with respect to the deferred tax assets. Changes in positive and negative evidence, including differences between estimated and actual results, could result in changes in the valuation of the deferred tax assets that could have a material impact on the condensed consolidated financial statements. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time.

The Internal Revenue Code ("IRC") provides an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future taxable income in the event of a change in ownership. Emergence from Chapter 11 bankruptcy proceedings resulted in a change in ownership for purposes of the IRC Section 382. As a result, NOLs occurring prior to our ownership change can only offset taxable income of $0.7 million annually. Losses generated after our emergence from bankruptcy in October 2020 are not subject to this limitation and can offset additional taxable income generated.

On July 4, 2025, the United States Congress passed budget reconciliation bill H.R. 1 referred to as the One Big Beautiful Bill ("OBBB"). The OBBB contains several changes to corporate taxation including modifications to capitalization of research and development expenses, limitations on deductions for interest expense and accelerated fixed asset depreciation. During the nine months ended September 30, 2025, the Company evaluated the impact of the OBBB on its financial statements, including related income tax accounting and disclosures. As a result of the OBBB, the Company recorded an increase in depreciation expense of $11.9 million from the reinstatement of bonus depreciation, fully expensed its $1.6 million of unamortized Internal Revenue Cost (IRC) 174 costs, and calculated the IRS 163(j) business interest expense limitation based on the updated limit of EBITDA.

Acquisitions and divestitures

In May 2025 we entered into a purchase and sale agreement to divest certain non-operated interests in Oklahoma for approximately $10.1 million in cash subject to customary closing terms and adjustments. The transaction, which had an effective date of March 1, 2025, closed in May 2025. As these properties did not comprise a material portion of our oil and natural gas reserves, we did not record any gain or loss on this transaction pursuant to accounting guidance under the full cost method of accounting.

In August 2025, we entered into a purchase and sale agreement to acquire oil and natural gas properties located primarily in Canadian and Garfield Counties, Oklahoma, for a purchase price of $11.25 million subject to customary closing and post-closing adjustments. The closing of the transaction occurred contemporaneously with the execution of the purchase and sale agreement. The Company utilized cash held in escrow for the purpose of a like-kind exchange under Section 1031 of the Internal Revenue Code as a source of funding for this transaction, thereby deferring the recognition of capital gains on the divested non-operated interests above.

Recently issued accounting standards not yet adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 intends to provide investors with additional information about an entity's income taxes by requiring disclosure of items such as disaggregation of the effective tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2025 for non-public entities, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. We are still evaluating the impact this ASU will have on our disclosures and do not expect it to have a material impact on our condensed consolidated financial statements.

Note 2: Supplemental disclosures to the condensed consolidated statements of cash flows

(in thousands)	**2025**	**2024**
Net cash provided by operating activities included:		
Cash payments for interest	$ 8,881	$ 6,269
Interest capitalized	(3,403)	(2,217)
Cash payments for income taxes	—	900
Non-cash investing activities included:		

	Nine Months Ended September 30	
Asset retirement obligation additions and revisions (1)	630	852
Increase (decrease) in accrued oil and gas capital expenditures	(17,099)	9,716
Increase in right of use asset from financing lease (2)	486	394
Non-cash financing activities included:		
Discharge or modification of financing lease obligations (see Note 4)	—	33
Increase (decrease) in accrued debt issuance costs	$ (408)	$ (1,056)

(1) Excludes asset retirement obligations incurred though oil and natural gas asset acquisitions.
(2) Consists of new financing leases on fleet trucks.

Note 3: Debt

As of the dates indicated, long-term debt and financing leases consisted of the following:

(in thousands)	September 30, 2025	December 31, 2024
Revolving credit facility	$ 85,000	$ 150,000
Financing lease obligations	1,281	1,307
Unamortized debt issuance costs	(2,133)	(3,335)
Total debt, net	84,148	147,972
Current portion	(639)	(572)
Total long-term debt, net	$ 83,509	$ 147,400

On June 27, 2023, we entered into a new revolving credit agreement (the "Credit Agreement") with Bank of America, N.A., as administrative agent, and various lender parties to replace an existing credit agreement with Royal Bank of Canada, as administrative agent, that was scheduled to mature in February 2024. Our prior agreement with Royal Bank of Canada was terminated on June 27, 2023. As of the closing date of the Merger, the Credit Agreement was terminated and there were no outstanding borrowings.

The Credit Agreement provided for an aggregate maximum principal amount of up to $500.0 million collateralized by our oil and natural gas properties, and a borrowing base of $250.0 million. The fees associated with establishing the new Credit Agreement were recorded as debt issuance costs and were amortized over the term of the Credit Agreement as a component of interest expense. The Credit Agreement had a maturity date of June 27, 2027 and bore interest at a term rate based on either the secured overnight financing rate established by the Federal Reserve Bank of New York ("SOFR") or alternate base rate ("ABR") plus, in each case a rate per annum set based on commitment utilization ("Applicable Margin"). ABR was equal to the highest of (a) the Bank of America prime rate, (b) the federal funds effective rate plus 0.50% and (c) SOFR plus 1%, with certain exceptions. The Company was required to pay a commitment fee of 0.50% per annum on the average daily unused portion of the current aggregate commitments under the Credit Agreement.

Availability of the revolver under our Credit Agreement was subject to the lower of the borrowing base that was based on, among other things, the value of our oil and natural gas properties and set by the banks semi-annually on or around May 1 and November 1 of each year. In addition, the Company or the lenders were able request a borrowing base redetermination once between each scheduled redetermination. The Company could also add banks once between each scheduled redetermination to increase the borrowing base without an interim redetermination process. Our borrowing base was reaffirmed at $250.0 million in April 2025 as a part of the spring redetermination process. The Credit Agreement was terminated prior to the fall 2025 redetermination process. As of September 30, 2025, we had outstanding borrowings of $85.0 million and availability of $165.0 million under the Credit Agreement. As of December 31, 2024, we had outstanding borrowings of $150.0 million under the Credit Agreement, resulting in an unused amount of $100.0 million.

As of September 30, 2025, our outstanding borrowings were accruing interest at the SOFR plus the Applicable Margin, which resulted in a weighted average interest rate of 7.76% on the amount outstanding. As of December 31, 2024, our outstanding borrowings were accruing interest at the SOFR plus the Applicable Margin, which resulted in a weighted average interest rate of 8.23% on the amount outstanding.

The Credit Agreement contained covenants and events of default customary for oil and natural gas reserve-based lending facilities including restrictions on additional debt, guarantees, liens, restricted payments, investments and hedging activity. Additionally, our Credit Agreement specified events of default, including non-payment, breach of warranty, non-performance of covenants, default on other indebtedness or swap agreements, restrictions on paying dividends, certain adverse judgments, bankruptcy events and change of control, among others.

The financial covenants required, as of the last day of each fiscal quarter, that we maintain (i) a Ratio of Total Net Debt to EBITDAX (as defined in the Credit Agreement) of no greater than 2.75 to 1.00 calculated on a trailing four-quarter basis and (ii) a Current Ratio (as defined in the Credit Agreement) of no less than 1.00 to 1.00. As of September 30, 2025 and December 31, 2024, we were in compliance with all financial covenants under the Credit Agreement.

Affirmative hedging covenants under the Credit Agreement required, among other items, that 45 days following the last day of each fiscal quarter, the Company have in place commodity hedging agreements covering not less than (a) 25% of Projected PDP Volume (as defined in the Credit Agreement) of oil and natural gas for 24 consecutive months and (b) 25% of the Projected PDP Revenue (as defined in the Credit Agreement) of natural gas liquids for 12 consecutive months. If our Ratio of Total Debt to EBITDAX exceeded 1.00 to 1.00 or Commitment Utilization Percentage (as defined in the Credit Agreement) exceeded 50%, then the foregoing references above to “25%” of the Projected PDP Volume or Projected PDP Revenue, as applicable, are “50%”. As of September 30, 2025, the Company was not subject to the 50% minimum hedging requirement referenced above. As of December 31, 2024, the Company was subject to the 50% minimum hedging requirement referenced above.

Restricted payments, such as dividends and stock repurchases, were able to be made under the Credit Agreement as long as (i) no default or event of default existed at the time of such payment or resulted therefrom, (ii) the Commitment Utilization Percentage did not exceed 75% immediately after giving effect to such payment and (iii) the Ratio of Total Debt to EBITDAX as of the date of such payment did not exceed 1.00 to 1.00 immediately after giving effect to such payment. The Company was able to make restricted payments from Distributable Free Cash Flow (as defined in the Credit Agreement) if (a) the above limitations (i) and (ii) were met and (b) the Ratio of Total Debt to EBITDAX as of the date of such payment did not exceed 1.75 to 1.00 immediately after giving effect to such payment.

Note 4: Leases

Our outstanding financing leases are for our fleet trucks. The fleet truck financing obligations are for 36 to 48 month terms with the option for us to purchase the vehicle at any time during the lease term by paying the lessor’s remaining unamortized cost in the vehicle. In many instances, at the end of the lease term, the lessor’s remaining unamortized cost in the vehicle will be a de minimis amount and hence ownership of the vehicle can be transferred to us at minimal cost. There are no residual value guarantees or non-lease components under these leases.

We commenced a lease on office space for our headquarters in February 2021 for a period of three years with annual rent of $0.4 million. The Company extended the lease in August 2023 for an additional two years, which extended the expiration date to January 2026.

Our short-term leases are those with lease terms of 12 months or less and generally consist of wellhead compressors, generators and drilling rigs with terms ranging from one month to six months. We do not recognize right of use assets or lease liabilities for leases with durations of 12 months or less. Please see “Note 13: Leases” in our annual report for the year ended December 31, 2024, for a further discussion on our leases.

Lease assets and liabilities

Our operating and financing lease assets and liabilities recorded on our balance sheet were as follows:

(in thousands)	Operating Leases	Financing Leases	Operating Leases	Financing Leases
Right of use asset:				
Right of use assets from operating leases	$ 147	$ —	$ 463	$ —
Plant, property and equipment, net	—	1,554	—	1,470
Total lease assets	$ 147	$ 1,554	$ 463	$ 1,470
Lease liability:				
Account payable and accrued liabilities	$ 150	$ —	$ 433	$ —
Long-term debt and financing leases, classified as current	—	639	—	572

	As of September 30, 2025		As of December 31, 2024	
Long-term debt and financing leases, less current maturities	—	642	—	735
Noncurrent operating lease obligations	—	—	38	—
Total lease liabilities	$ 150	$ 1,281	$ 471	$ 1,307

Canvas Energy Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Our income, expenses and cash flows related to our leases is as follows:

	Nine Months Ended September 30,	
(in thousands)	**2025**	**2024**
Lease cost		
Finance lease cost:		
Amortization of right-of-use assets	$ 454	$ 381
Interest on lease liabilities	93	77
Operating lease cost	335	337
Short-term lease cost	501	278
Total lease cost	$ 1,383	$ 1,073
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for finance leases	$ (93)	$ (77)
Operating cash flows for operating leases	(340)	(330)
Financing cash flows for finance leases	(487)	(369)
Decrease in right-of-use asset from finance lease modification or termination (1)	78	31
Decrease in lease liability from finance lease modification or termination (1)	—	33
Right of use assets obtained in exchange for new financing lease liabilities (2)	$ 486	$ 394

(1) Amounts reflect early termination of fleet truck leases where the trucks were sold and the proceeds were partially utilized to pay off the remaining lease liability.
(2) Amounts reflect the addition of new fleet truck leases.

Our rent expense for the nine months ended September 30, 2025 and 2024, was $5.9 million and $5.0 million, respectively.

Note 5: Derivative instruments

Our results of operations, financial condition and capital resources are highly dependent upon the prevailing market prices of, and demand for, oil, natural gas and natural gas liquids. These commodity prices are subject to wide fluctuations and market uncertainties. To mitigate a portion of this exposure, we enter into various types of derivative instruments. As of September 30, 2025, our natural gas, NGL, and oil derivative instruments consisted of the following types of instruments:

- Swaps: We receive a fixed price for the hedged commodity and pay a variable market price to the contract counterparty.
- Collars: Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, we receive the fixed floor or ceiling price, as applicable, and pay the market price. If the market price is between the put and the call strike prices, no payments are due from either party.
- Basis Swaps: These instruments are arrangements that guarantee a fixed price differential to NYMEX from a specified delivery point. We receive the fixed price differential and pay the floating market price differential to the counterparty for the hedged commodity. Basis swaps also include oil swap contracts to fix the differential in pricing between the WTI NYMEX calendar month average and the physical crude oil delivery month (“oil roll”) pursuant to which we pay the periodic variable oil roll and receive a weighted-average fixed price differential.

The following tables summarize our derivatives outstanding as of September 30, 2025:

Natural Gas Contracts	Volume BBtu	Weighted Average Floor Price per MMBtu	Weighted Average Ceiling Price per MMBtu	Weighted Average Fixed Price per MMBtu
2025				
Natural gas basis swaps	1,270	$ —	$ —	$ (0.33)
Natural gas collars	2,265	$ 3.56	$ 4.90	$ —
2026				
Natural gas basis swaps	580	$ —	$ —	$ 0.40
Natural gas collars	8,115	$ 3.25	$ 4.72	$ —
2027				
Natural gas collars	3,905	$ 3.36	$ 4.72	$ —

Crude Oil Contracts	Volume MBbls	Weighted Average Floor Price per Bbl	Weighted Average Ceiling Price per Bbl	Weighted Average Fixed Price per Bbl
2025				
Oil swaps	63	$ —	$ —	$ 66.90
Oil collars	187	$ 61.39	$ 78.55	$ —
Oil basis swaps	250	$ —	$ —	$ 0.41
2026				
Oil collars	632	$ 59.08	$ 76.33	$ —
Oil basis swaps	334	$ —	$ —	$ 0.11
2027				
Oil collars	234	$ 56.06	$ 71.45	$ —

NGL Contracts	Volume Thousands of Gallons	Weighted Average Fixed Price per Gallon
2025		
Propane swap	3,100	$ 0.75
Butane swap	890	$ 0.90
Natural gasoline swap	1,110	$ 1.42
2026		
Propane swap	4,805	$ 0.71
Butane swap	1,595	$ 0.83
Natural gasoline swap	1,860	$ 1.29

Effect of derivative instruments on the condensed consolidated balance sheets

All derivative financial instruments are recorded on the balance sheet at fair value. See “Note 6: Fair value measurements” for additional information regarding fair value measurements. The estimated fair values of derivative instruments are provided below. The carrying amounts of these instruments are equal to the estimated fair values.

(in thousands)	As of September 30, 2025 Assets	Liabilities	Net Value	As of December 31, 2024 Assets	Liabilities	Net Value
Natural gas derivative contracts	$ 1,626	$ (1,555)	$ 71	$ 1,315	$ (1,835)	$ (520)
Crude oil derivative contracts	3,314	(33)	3,281	1,497	(125)	1,372
NGL derivative contracts	577	(81)	496	104	(828)	(724)
Total derivative instruments	5,517	(1,669)	3,848	2,916	(2,788)	128
Less:						
Netting adjustments (1)	(1,295)	1,295	—	(1,873)	1,873	—
Derivative instruments - current	3,655	(57)	3,598	937	(499)	438
Derivative instruments - long-term	$ 567	$ (317)	$ 250	$ 106	$ (416)	$ (310)

(1) Amounts represent the impact of master netting agreements that allow us to net settle positive and negative positions with the same counterparty. Positive and negative positions with counterparties are netted only to the extent that they relate to the same current versus noncurrent classification on the balance sheet.

Effect of derivative instruments on the condensed consolidated statements of operations

We do not apply hedge accounting to any of our derivative instruments. As a result, all gains and losses associated with our derivative contracts are recognized immediately as "Derivative gains (losses)" in the condensed consolidated statements of operations.

"Derivative gains (losses), net" in the condensed consolidated statements of operations consist of the following:

	Nine Months Ended September 30,					
	2025			2024		
(in thousands)	Non-cash Fair Value Adjustment	Settlements (Paid) Received	Total	Non-cash Fair Value Adjustment	Settlements (Paid) Received	Total
Derivative gains (losses):						
Crude oil derivatives	$ 1,909	$ 231	$ 2,140	$ 1,546	$ (524)	$ 1,022
Natural gas derivatives	591	1,035	1,626	(1,580)	3,613	2,033
NGL derivatives	1,221	(238)	983	55	(955)	(900)
Derivative gains (losses)	$ 3,721	$ 1,028	$ 4,749	$ 21	$ 2,134	$ 2,155

Subsequent to September 30, 2025, Canvas terminated all outstanding derivative contracts effective October 14, 2025 and generated net proceeds of $6.3 million as a result of the terminations.

Note 6: Fair value measurements

We categorize fair value measurements based upon the level of judgment associated with the inputs used to measure the fair value of the assets and liabilities as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs include quoted prices for identical or similar instruments in markets that are not active and inputs other than quoted prices that are observable for the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

Recurring fair value measurements

Currently our financial instruments recorded at fair value on a recurring basis consist of commodity derivative contracts (see "Note 5: Derivative instruments") and assets in our Rabbi Trust and Secular Trust (see "Note: 8 Deferred compensation"). They are categorized according to the fair value hierarchy described above as either Level 1, Level 2 or Level 3 estimates. Our derivative contracts classified as Level 2 as of September 30, 2025, and December 31, 2024 consisted of commodity price swaps, including our oil roll contracts (see "Note 5: Derivative instruments"), which are valued using an income approach. Future cash flows from these derivatives are estimated based on the difference between the fixed contract price and the underlying published forward market price and are discounted at a rate that captures our own nonperformance risk for derivative liabilities or that of our counterparties for derivative assets.

Our derivative contracts classified as Level 3 currently consists of collars and from time to time, may consist of gas basis swaps and put options. The fair value of these contracts is developed by a third-party pricing service using a proprietary valuation model, which we believe incorporates the assumptions that market participants would have made at the end of each period. Observable inputs include contractual terms, published forward pricing curves, and yield curves. Significant unobservable inputs are implied volatilities and proprietary pricing curves. Significant increases (decreases) in implied volatilities in isolation would result in a significantly higher (lower) fair value measurement. We review these valuations and the changes in the fair value measurements for reasonableness. All derivative instruments are recorded at fair value and include a measure of our own nonperformance risk for derivative liabilities or our counterparty credit risk for derivative assets.

The fair value hierarchy for our derivative assets and liabilities is shown in the following table:

	As of September 30, 2025			As of December 31, 2024		
(in thousands)	**Derivative Assets**	**Derivative Liabilities**	**Net Assets (Liabilities)**	**Derivative Assets**	**Derivative Liabilities**	**Net Assets (Liabilities)**
Significant other observable inputs (Level 2)	$ 597	$ (113)	$ 484	$ 138	$ (885)	$ (747)
Significant unobservable inputs (Level 3)	4,920	(1,556)	3,364	2,778	(1,903)	875
Netting adjustments (1)	(1,295)	1,295	—	(1,873)	1,873	—
	$ 4,222	$ (374)	3,848	$ 1,043	$ (915)	$ 128

(1) Amounts represent the impact of master netting agreements that allow us to net settle positive and negative positions with the same counterparty. Positive and negative positions with counterparties are netted on the balance sheet only to the extent that they relate to the same current versus noncurrent classification.

Nonrecurring fair value measurements

Asset retirement obligations. Additions to the asset and liability associated with our asset retirement obligations are measured at fair value on a nonrecurring basis. Our asset retirement obligations consist of the estimated present value of future costs to plug and abandon or otherwise dispose of our oil and natural gas properties and related facilities. Significant inputs used in determining such obligations include estimates of plugging and abandonment costs, inflation rates, discount rates, and well life, all of which are Level 3

inputs according to the fair value hierarchy. The table below discloses the inflation and discount rate assumptions for the period presented:

	Nine Months Ended September 30, 2025	**Twelve Months Ended December 31, 2024**
Inflation rate	2.57 %	2.57 %
Credit-adjusted risk-free discount rate (low)	7.28 %	7.28 %
Credit-adjusted risk-free discount rate (high)	8.97 %	9.96 %

These estimates may change based upon future inflation rates and changes in statutory remediation rules. See “Note 7: Asset retirement obligations” for additional information regarding our asset retirement obligations.

Fair value of other financial instruments

Our significant financial instruments, other than derivatives, consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and debt. We believe the carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair values due to the short-term maturities of these instruments. The carrying value and estimated fair value of our debt and Rabbi Trust assets were as follows:

	September 30, 2025		December 31, 2024	
(in thousands)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Revolving credit facility (1) (2)	$ 85,000	$ 85,000	$ 150,000	$ 150,000
Rabbi Trust assets (3)	7,056	7,056	6,090	6,090

(1) The carrying value excludes deductions for debt issuance costs.
(2) The carrying value of our credit facility approximates fair value as the rates are comparable to those at which we could borrow under similar terms, are variable and incorporate a measure of our credit risk.
(3) The assets of the Rabbi Trust consists of investments in a variety of mutual funds, which are classified as Level 1 equity securities.

Counterparty credit risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of derivative instruments and accounts receivable. Derivative instruments are exposed to credit risk from counterparties. Our derivative contracts are executed with institutions, or affiliates of institutions, all of whom are parties to our credit facility, and we believe the credit risks associated with all of these institutions are acceptable. We do not require collateral or other security from counterparties to support derivative instruments. Master agreements are in place with each of our derivative counterparties that provide the right to set off in the event of default or termination of the contracts under each respective agreement. As a result of the set off provisions, our maximum amount of loss under derivative transactions due to credit risk is limited to the net amounts due from the counterparties under the derivatives. Our loss is further limited as any amounts due from a defaulting counterparty that is a lender, or an affiliate of a lender, under our credit facilities could have been offset against amounts owed to such counterparty lender. As of September 30, 2025, we had five counterparties to our open derivative contracts of which all were lenders under our Credit Agreement.

The following table summarizes our derivative assets and liabilities which are offset in the condensed consolidated balance sheets under our master netting agreements. It also reflects the amounts outstanding under our credit facilities that are available to offset our net derivative assets due from counterparties that are lenders under our credit facilities.

	Offset in the Condensed Consolidated Balance Sheets			Gross Amounts not Offset in the Condensed Consolidated Balance Sheets		
(in thousands)	Gross Assets (Liabilities)	Offsetting Assets (Liabilities)	Net Assets (Liabilities)	Derivatives (1)	Amounts Outstanding Under Credit Facilities (2)	Net Amount
September 30, 2025						
Derivative assets	$ 5,517	$ (1,295)	$ 4,222	$ (159)	$ (4,063)	$ —
Derivative liabilities	(1,669)	1,295	(374)	159	4,063	3,848
	$ 3,848	$ —	$ 3,848	$ —	$ —	$ 3,848
December 31, 2024						
Derivative assets	$ 2,916	$ (1,873)	$ 1,043	$ (316)	$ (727)	$ —
Derivative liabilities	(2,788)	1,873	(915)	316	727	128
	$ 128	$ —	$ 128	$ —	$ —	$ 128

(1) Since positive and negative positions with a counterparty are netted on the balance sheet only to the extent that they relate to the same current versus noncurrent classification, these represent remaining amounts that could have been offset under our master netting agreements.
(2) The amount outstanding under our credit facility that is available to offset our net derivative assets due from counterparties that are lenders under our credit facility.

We did not post additional collateral under any of these contracts. Payment on our derivative contracts could have been accelerated in the event of a default under our Credit Agreement. The aggregate fair value of our derivative liabilities subject to acceleration in the event of default was $1.7 million before offsets at September 30, 2025.

Note 7: Asset retirement obligations

The following table provides a summary of our asset retirement obligation activity:

(in thousands)	Nine Months Ended September 30, 2025
Asset retirement obligations as of beginning of period	$ 13,589
Liabilities incurred	605
Liabilities settled or disposed in current period	(463)
Revisions in estimated cash flows	25
Accretion expense	795
Asset retirement obligations as of end of period	$ 14,551
Current portion included in accounts payable and accrued liabilities	(903)
Asset retirement obligations, long-term	$ 13,648

See “Note 6: Fair value measurements” for additional information regarding fair value assumptions associated with our asset retirement obligations.

Note 8: Deferred compensation

Our deferred compensation includes cash awards and equity-based awards which are settled in either cash or in shares. As of the closing date of the Merger, all outstanding shares of common stock of Canvas, as well as restricted stock units ("RSUs"), converted into the right to receive the merger consideration.

Cash Awards

From time to time, we have granted cash awards with long term service-based vesting requirements. We accrue for the cost over the period that service is required to vest. The cash awards are subject to a graded vesting schedule over four annual installments

where expense is recognized under the accelerated method. Compensation cost for our cash awards is reflected in general and administrative expenses in the condensed consolidated statements of operations and was not material for the nine months ended 2025 and 2024. Unrecognized cash award compensation cost is approximately $0.1 million as of September 30, 2025. As of September 30, 2025, the outstanding liability accrued for our long term service-based cash awards, based on requisite service provided, was not material. The unrecognized cash award compensation cost is expected to be recognized over a weighted-average period of 2.0 years.

Equity Awards

In December 2020, we adopted the Canvas Energy Inc. Equity Incentive Plan (the "2020 EIP"), and in conjunction with the adoption, we issued RSUs to participants. Currently, the 2020 EIP provides for the issuance of equity and/or equity based awards for up to 385,819 shares of common stock in the aggregate with respect to awards of options, stock appreciation rights, restricted stock, restricted stock units or stock bonus awards under the plan increased by 16,000 for potential awards to independent directors of the Board, provided, however, that no more than 385,819 shares of common stock may be delivered in respect of Incentive Stock Options awarded under the Plan.

RSUs granted generally consists of RSUs subject to either a service-based vesting condition (the "Time Units") or a combined performance-based and market-based vesting condition (the "Performance Units"). The Time Units vest in one year or over four equal annual installments. The Performance Units vest upon achievement of a change in control event (or under the amendment noted below) that yields a threshold multiple of investment, where different levels of the multiple of investment above the threshold result in different vesting percentages. Effective January 1, 2025, the Company amended provisions of its Performance Units to (i) provide for the vesting of Performance Units in the absence of a change in control if, at the seventh anniversary of the grant date, the cumulative cash distributions plus, as appropriate, the fair market value of the equity retained in the Company exceed performance thresholds and (ii) avoid a partial cash-out change in control resulting in the forfeiture of Performance Units if cash proceeds to the date of the partial cash-out change in control plus residual Company equity exceed performance thresholds.

The Time Units are to be settled in cash or shares at the Company's election on the earlier of (i) the seventh anniversary of the grant date or (ii) when a change in control occurs. The Performance Units are to be settled in cash or shares at the Company's election on the earlier of a change in control or seventh anniversary of the grant date, assuming the multiple of investment threshold is met. Please see "Note 1: Nature of operations and summary of significant accounting policies" and "Note 10: Deferred compensation" in our annual report for the year ended December 31, 2024, for a discussion of our policies with respect to these RSUs.

Effective January 1, 2025, the Company's Performance Units were modified as a result of the amendment described above. To reflect the change in number of fair value Performance Units expected to vest based on the modified terms of the awards, the affected Performance Units have been noted as forfeited and re-granted in the table below. A summary of the RSU activity under our 2020 EIP is presented below:

	Restricted Stock Units				
	Time Units			Performance Units	
	Weighted Average Grant Date Fair Value ($ per unit)	Restricted Units	Vest Date Fair Value (in thousands)	Weighted Average Grant Date Fair Value ($ per unit)	Restricted Units
Unvested and outstanding at January 1, 2025	$ 115.44	20,868		$ 71.24	205,646
Granted	$ 66.21	6,454		$ 59.73	209,145
Vested	$ 110.06	(9,356)	$ 1,160	$ —	—
Forfeited	$ —	—		$ 71.24	(202,162)
Unvested and outstanding at September 30, 2025	$ 92.46	17,966		$ 59.73	212,629

The Performance Units were re-valued as a result of the amended provisions effective January 1, 2025 with the vested portion recorded to stock-based compensation within the condensed consolidated statement of stockholders' equity in the nine months ended September 30, 2025.

Dividend equivalents

As disclosed in "Note 1: Nature of operations and summary of significant accounting policies" the Company paid cash dividends at various times during 2024. The Company has not declared or paid any dividends on its common stock in 2025. The 2020 EIP and the grants made thereunder specify that, in the event cash dividends on common stock are paid, dividend equivalents are to be paid with respect to outstanding equity grants and unallocated units.

Performance Units — Dividend equivalents are paid to participants immediately in cash and are not subject to any further vesting requirement. The Company shall initially charge these dividends to retained earnings. However, since these dividend equivalents are non-forfeitable and the Company's accounts for forfeitures when they occur, the Company shall reclassify to compensation cost, in the period in which any forfeitures occur, the amount of dividend equivalents previously charged to retained earnings to the extent related to awards that are forfeited.

Time Units — Dividend equivalents on all outstanding Time Units (vested and unvested) are paid in cash into the Rabbi Trust, which is an irrevocable trust used to fund the Company's future obligations with respect to dividend equivalents that accrue to the Time Units. The dividend equivalents are settled at the same time as settlement of the Time Units and only the portion of dividends equivalents associated with vested units will be paid to the participant. Whenever forfeitures of Time Units occur, the portion of dividend equivalents within the Rabbi Trust associated with the forfeited units are transferred to the Secular Trust. The assets of the Rabbi Trust, which are to be invested in a variety of mutual funds and classified as equity securities, will be consolidated by the Company. These assets are recorded at fair value with changes in fair value recognized in "Other income (loss), net" in our condensed consolidated statement of operations. The Company shall recognize a deferred compensation obligation for the portion of dividend equivalents associated with vested Time Units, as each vesting occurs, with a corresponding charge to retained earnings.

Unallocated units — Dividend equivalents equal to the cash dividends that would otherwise have been paid with respect to unallocated equity award units will be deposited into the Secular Trust. Funds held in the Secular Trust are meant to fund future employee compensation actions under the 2020 EIP. The assets of the Secular Trust are consolidated by the Company and since the funds are invested in money market securities, they will be included within cash and cash equivalents on the condensed consolidated balance sheet with interest income recognized as a component of "Other income (loss), net" in our condensed consolidated statement of operations.

The table below discloses certain dividend equivalent activity and balances related to our equity grants:

Dividend Equivalents on Performance Units		
Amount charged to retained earnings	$	—

Dividend Equivalents on Time Units (in thousands)		Nine Months Ended September 30, 2025
Deferred compensation obligation related to vested units - charged to retained earnings	$	364
Balance of Rabbi Trust assets as of beginning of period (“Other assets”)		6,090
Unrealized gain (loss) on Rabbi Trust assets (“Other income (loss), net”)		966
Balance of Rabbi Trust assets as of period end (“Other assets”)	$	7,056
Dividend Equivalents on Unallocated Units		
Balance of Secular Trust assets as of beginning of period (“Cash and cash equivalents”)	$	1,536
Interest income on Secular Trust assets (“Other income (loss), net”)		20
Cash award compensation		(91)
Balance of Secular Trust assets as of period end (“Cash and cash equivalents”)	$	1,465

Stock-based compensation cost

Compensation cost is calculated net of forfeitures. We recognize the impact of forfeitures due to employee terminations in expense as those forfeitures occur instead of incorporating an estimate of such forfeitures.

Effective January 1, 2025, the Company’s Performance Units were modified as a result of the amendment described above. The Company categorized this revision as a Type III modification under accounting guidance. The modified award was valued on the modification date and the Company will recognize compensation cost beginning on the modification date over the requisite service period of the modified award under the straight line method.

The Time Units either vest in one year and are expensed over that time frame or are subject to a graded vesting schedule over four annual installments where expense is recognized under the accelerated method. Compensation cost for service-based awards is recognized and measured based on a fair value estimate of the Company’s equity, adjusted for lack of marketability as the Company is a private entity.

A portion of stock-based compensation cost associated with employees involved in our acquisition, exploration, and development activities has been capitalized as part of our oil and natural gas properties. The remaining cost is reflected in general and administrative expenses in the condensed consolidated statements of operations. Stock-based compensation expense is as follows for the periods indicated:

	Nine Months Ended September 30,			
	2025		2024	
Stock-based compensation cost	$	3,425	$	1,422
Less: stock-based compensation cost capitalized		(667)		(250)
Stock-based compensation expense	$	2,758	$	1,172

We did not make any cash payments with respect to settlements of our equity based awards for the nine month periods ended September 30, 2025. Unrecognized stock-based compensation cost is approximately $10.5 million as of September 30, 2025 and is expected to be recognized over a weighted-average period of 2.7 years.

Valuation of Awards

Compensation cost is generally recognized and measured according to the grant date fair value of the awards. Effective January 1, 2025, the Company’s Performance Units were modified as a result of the amendment described above. The fair value and associated assumptions, which are considered to be Level 3 inputs within the fair value hierarchy, for these Performance Units included the following:

Valuation assumptions of Performance Units		Valuation Date January 1, 2025
Risk free rate		4.33 %
Volatility		70.0 %
Estimated fair value per Performance Unit	$	59.73
Time till change in control event (years)		5
Discount for lack of marketability (Finnerty model)		30 %

Note 9: Commitments and contingencies

We have numerous contractual commitments in the ordinary course of business including debt service requirements, operating leases, financing leases and purchase obligations.

Surety bonds. Surety bonds totaling $5.7 million were posted on our behalf as of September 30, 2025 and we have posted cash collateral in respect of the bonds totaling $0.2 million.

Litigation and Claims

The Company is named as a defendant in a lawsuit filed in the U.S. District Court for the Eastern District of Oklahoma (the "Eastern District Court"), styled Wake Energy, LLC ("Plaintiff") v Canvas Energy LLC. The case, originally filed in the Western District of Oklahoma (the "Western District Action"), is a purported class action pursuant to which the Plaintiff seeks to represent a group of persons who are alleged to be owed statutory interest on late paid revenues; however, the purported class has not been certified yet. Specifically, the suit asserts claims in excess of $5.0 million for interest alleged to be due under Oklahoma's Production Revenue Standards Act. In December 2023, during the pendency of the Western District Action, the Company and Plaintiff reached a memorandum of understanding with respect to the settlement of the claims, and the full and final terms of a stipulation and agreement of settlement were formalized in January 2024 (the "Initial Settlement"). In July 2025, the Plaintiff dismissed the Western District Action, and filed an identical claim in the Eastern District Court. At that time, the Company and Plaintiff terminated the Initial Settlement and entered into a new stipulation and agreement of settlement with terms identical to the Initial Settlement. Pursuant to the settlement, the Company will, among other things, pay $4.5 million into a settlement fund upon the Court's entry of a final approval order. The final approval order will be preceded by certification of the settlement class by the Court for the purposes of the settlement only, preliminary approval by the Court of the settlement, approval by the Court of notices related to the settlement, the provision of notices to class members, and the opportunity for class members to opt out of the settlement. The timing of these actions is largely dependent on the Court's schedule. As of September 30, 2025, the Company has recorded a $4.5 million accrual for the cost of this case, which is reflected on the condensed consolidated balance sheet as "Accounts payable and accrued liabilities."

We are involved in various other legal proceedings including, but not limited to, commercial disputes, claims from royalty and surface owners (including those alleging damages from induced earthquakes), property damage claims, personal injuries, quiet title actions, personal injury claims, employment claims, and other matters which arise in the ordinary course of business. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect any of them individually to have a material effect on our financial condition, results of operations or cash flows.

Note 10: Subsequent Events

The Company has evaluated subsequent events through February 6, 2026, the date the financial statements were available to be issued. Other than events disclosed above in accompanying notes to the financial statements, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Unaudited Pro Forma Condensed Combined Financial Information

Canvas Energy Inc. and Subsidiaries (“Canvas”) Asset Acquisition

On November 24, 2025, Diversified Energy Company (the “Company” or “Diversified”) acquired Canvas (the “Canvas Transaction”). When evaluating the transaction, the Company concluded that the acquired assets did not meet the definition of a business under International Financial Reporting Standards 3 (“IFRS 3”) and is therefore an asset acquisition. The Company funded the transaction through a combination of the issuance of 3,720,125 new U.S. dollar-denominated ordinary shares to former Canvas unitholders and paid cash consideration of approximately $399 million, inclusive of transaction costs of approximately $13 million. In conjunction with the close of the Canvas Transaction, the Company closed on a $400 million asset backed securitization (“ABS”) to partially fund the cash portion of the Transaction.

Maverick Natural Resources, LLC and Subsidiaries (“Maverick”) Business Combination

On March 14, 2025, the Company acquired Maverick in a stock-and-cash transaction (the “Maverick Transaction”), after which Maverick became a wholly-owned subsidiary of the Company. When evaluating the transaction, the Company concluded that it did not have significant asset concentration and as a result it had acquired a distinct set of inputs, processes, and outputs, leading to the conclusion that the transaction was a business combination under IFRS 3. The Company funded the transaction through a combination of the issuance of 21,194,213 new U.S. dollar-denominated ordinary shares to Maverick unitholders and paid cash consideration of approximately $197 million. Transaction costs incurred with the Maverick Transaction were approximately $21 million.

Oaktree Capital Management, L.P. (“Oaktree”) Working Interest Asset Acquisition

On June 6, 2024, the Company acquired Oaktree Capital Management, LP’s 100% membership interest in OCM Denali Holdings, LLC and its subsidiaries (“Oaktree” and such transaction, the “Oaktree Transaction”), whose assets predominantly included non-operated working interests in producing wells and related facilities (the “Assets”) that are operated by the Company. The Company assessed the Assets and determined that the Oaktree Transaction was considered an asset acquisition rather than a business combination. When making this determination, management evaluated the Oaktree Transaction under IFRS 3 and concluded that the acquired assets did not meet the definition of a business. The Company paid purchase consideration of $221 million, inclusive of transaction costs of $1 million and customary purchase price adjustments. As part of the Oaktree Transaction, the Company assumed Oaktree’s debt of $133 million. The Company funded the purchase through a combination of existing and expanded liquidity and issued approximately $83 million in notes payable to Oaktree.

Unaudited Pro Forma Condensed Combined Financial Statements

The unaudited pro forma condensed combined statement of financial position as of September 30, 2025 was prepared as if the Canvas Transaction had occurred on September 30, 2025. The Oaktree Transaction and the Maverick Transaction closed on June 6, 2024 and March 14, 2025, respectively. Therefore, the Oaktree and Maverick transactions are already included in the Company's condensed consolidated statement of financial position as of September 30, 2025.

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2025 and for the year ended December 31, 2024 were prepared as if the Canvas, Maverick, and Oaktree transactions had occurred on January 1, 2024. The following unaudited pro forma condensed combined financial statements have been derived from the historical consolidated financial statements of the Company, Canvas, Maverick, and Oaktree.

The unaudited pro forma condensed combined financial statements and underlying pro forma adjustments are based upon currently available information and include certain estimates and assumptions made by the Company’s management; accordingly, actual results could differ materially from the pro forma information. Management believes that the assumptions used to prepare the unaudited pro forma condensed combined financial statements and accompanying notes provide a reasonable and supportable basis for presenting the significant estimated effects of the transactions. The following unaudited pro forma condensed combined statements of operations do not purport to represent what the Company’s results of operations would have been if the Canvas, Maverick, and Oaktree transactions had occurred on January 1, 2024. The unaudited pro forma condensed combined statement of financial position does not purport to represent what the Company’s financial position would have been if the Canvas Transaction had occurred on September 30, 2025. The unaudited pro forma condensed combined financial statements should be read together with the following:

- the Company’s audited historical consolidated financial statements and accompanying notes included in its Annual Report on Form 20-F for the year ended December 31, 2024, filed with the SEC on March 17, 2025. The Company’s historical and most recent financial statements, for the six months ended June 30, 2025, were prepared under IFRS and were furnished to the SEC on August 11, 2025. Based on the annual assessment of Foreign Private Issuer status under SEC rules as of June 30, 2025, the Company no longer met the criteria for qualifying as a Foreign Private Issuer, which would have resulted in the Company transitioning to reporting as a domestic issuer beginning January 1, 2026; however, following that assessment, a new U.S. holding company was inserted as the ultimate parent company of Diversified Energy Company PLC and its consolidated subsidiaries, resulting in the Company becoming a U.S. domestic issuer prior to that date. The Company will make future financial statement filings under U.S. GAAP beginning with the Company's 2025 Form 10-K. The Company will update these unaudited pro forma financial statements in accordance with U.S. GAAP after the Company's Form 10-K is on file with the SEC;

- Canvas' audited and unaudited historical consolidated financial statements and accompanying notes thereto filed as Exhibits 99.1 and 99.2 to this report on Form 8-K/A of which this Exhibit 99.3 is a part;
- Maverick's audited historical consolidated financial statements and accompanying notes thereto filed as Exhibit 99.1 to the report on Form 6-K furnished to the SEC on May 16, 2025;
- Oaktree's unaudited historical statement of revenues and direct operating expenses and accompanying notes thereto, filed as Exhibit 99.1 to the report on Form 6-K filed furnished to the SEC on August 20, 2024.

The unaudited pro forma condensed combined financial statements have been prepared in accordance with Article 11 of SEC Regulation S-X using assumptions set forth in the notes herein. Article 11 permits presentation of reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). The Company has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma condensed combined financial statements.

Diversified Energy Company Pro Forma Condensed Combined Statement of Financial Position
As of September 30, 2025 (Unaudited)

(In thousands)	DEC Historical (Note 1)	Canvas As Adjusted (Note 2)	Canvas Transaction Adjustments (Note 5)		Pro Forma Combined
ASSETS					
Non-current assets:					
Natural gas and oil properties, net	$ 4,117,070	$ 609,518	$ (35,770)	(a)	$ 4,690,818
Property, plant and equipment, net	536,142	4,517	(1,420)	(a)	539,239
Intangible assets	11,644	—	—		11,644
Restricted cash	83,144	—	—		83,144
Derivative financial instruments	39,875	567	(567)	(a)	39,875
Deferred tax asset	299,316	—	—		299,316
Other non-current assets	10,082	8,117	(7,204)	(b)	10,995
Total non-current assets	**5,097,273**	**622,719**	**(44,961)**		**5,675,031**
Current assets:					
Trade receivables, net	331,226	28,608	—		359,834
Cash and cash equivalents	43,102	23,607	398,534	(a)	78,711
			(398,534)	(a)	
			12,002	(c)	
Restricted cash	20,529	—	—		20,529
Derivative financial instruments	90,271	3,655	(3,655)	(a)	90,271
Other current assets	33,049	8,258	(1,338)	(a)	39,969
Total current assets	**518,177**	**64,128**	**7,009**		**589,314**
Total assets	**5,615,450**	**686,847**	**(37,952)**		**6,264,345**
EQUITY AND LIABILITIES					
Shareholders' equity:					
Share capital	$ 20,372	$ 48	$ (48)	(a)	$ 20,372
			37	(a)	37
Share premium	1,625,265	178,232	(178,232)	(a)	1,625,265
			53,942	(a)	53,942
Treasury reserve	(174,686)	—	—		(174,686)
Share-based payment and other reserves	22,865	—	—		22,865
Retained earnings (accumulated deficit)	(659,513)	300,923	(300,923)	(a)	(659,513)
Equity attributable to owners of the parent	**834,303**	**479,203**	**(425,224)**		**888,282**
Non-controlling interest	11,208	**—**	**—**		**11,208**
Total equity	**845,511**	**479,203**	**(425,224)**		**899,490**
Non-current liabilities:					
Asset retirement obligations	890,548	13,648	2,951	(a)	907,147
Leases	73,446	—	—		73,446
Borrowings	2,391,731	83,509	398,534	(a)	2,873,774
Deferred tax liability	7,764	64,286	(21,168)	(d)	50,882
Derivative financial instruments	541,465	317	(317)	(a)	541,465
Other non-current liabilities	17,634	5,348	(4,732)	(a)	18,250
Total non-current liabilities	**3,922,588**	**167,108**	**375,268**		**4,464,964**
Current liabilities:					
Trade and other payables	16,076	39,840	—		55,916
Taxes payable	45,165	—	—		45,165
Leases	22,085	—	—		22,085
Borrowings	208,662	—	—		208,662
Derivative financial instruments	152,320	57	(57)	(a)	152,320
Other current liabilities	403,043	639	12,061	(e)	415,743
Total current liabilities	**847,351**	**40,536**	**12,004**		**899,891**
Total liabilities	**4,769,939**	**207,644**	**387,272**		**5,364,855**
Total equity and liabilities	**$ 5,615,450**	**686,847 $**	**(37,952)**		**$ 6,264,345**

See accompanying notes to unaudited pro forma condensed combined financial information.

Diversified Energy Company Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2025 (Unaudited)

(In thousands, except share and per unit data)	DEC Historical (Note 1)	Maverick As Adjusted (Note 2)	Canvas As Adjusted (Note 2)	Maverick Transaction Adjustments (Note 4) (a)		Canvas Transaction Adjustments (Note 5)		Pro Forma Combined	
Revenue	$ 1,166,787	$ 166,134	$ 221,110	$ —		$ —		$ 1,554,031	
Operating expense	(541,676)	(77,620)	(53,442)	—		—		(672,738)	
Depreciation, depletion and amortization	(259,792)	(22,332)	(56,783)	(2,515)	(b)	9,391	(a)	(332,031)	
Gross profit	**365,319**	**66,182**	**110,885**	**(2,515)**		**9,391**		**549,262**	
General and administrative expense	(124,839)	(28,311)	(15,819)	—		—		(168,969)	
Allowance for expected credit losses	—	—	—	—		—		—	
Gain (loss) on natural gas and oil property and equipment	79,990	7,152	118	—		—		87,260	
Gain (loss) on sale of equity interest	—	—	—	—		—		—	
Unrealized gain (loss) on investment	6,355	—	—	—		—		6,355	
Gain (loss) on derivative financial instruments	(4,165)	(11,544)	4,749	—		—		(10,960)	
Operating profit (loss)	**322,660**	**33,479**	**99,933**	**(2,515)**		**9,391**		**462,948**	
Finance costs	(153,430)	(14,833)	(5,840)	(4,229)	(c)	(19,266)	(b)	(197,598)	
Accretion of asset retirement obligation	(37,371)	(2,076)	(795)	(297)	(d)	(61)	(c)	(40,600)	
Loss on early retirement of debt	(39,485)	—	—	—		—		(39,485)	
Other income (expense)	2,029	417	1,225	—		—		3,671	
Income (loss) before taxation	**94,403**	**16,987**	**94,523**	**(7,041)**		**(9,936)**		**188,936**	
Income tax benefit (expense)	37,527	59	(21,488)	(1,690)	(e)	(2,385)	(d)	12,024	
Net income (loss)	**131,930**	**17,046**	**73,035**	**(8,731)**		**(12,321)**		**200,960**	
Other comprehensive income (loss)	(26)	—	—	—		—		(26)	
Total comprehensive income (loss)	**$ 131,904**	**17,046**	**73,035**	**$ (8,731)**		**$ (12,321)**		**$ 200,934**	
Net income (loss) attributable to owners of the parent									
Diversified Energy Company	$ 131,239	$ 17,046	$ 73,035	$ (8,731)		$ (12,321)		$ 200,269	
Non-controlling interest	691	—	—	—		—		691	
Net income (loss)	**$ 131,930**	**$ 17,046**	**$ 73,035**	**$ (8,731)**		**$ (12,321)**		**$ 200,960**	
Earnings (loss) per share attributable to owners of the parent									
Earnings (loss) per share - basic	$ 1.83	$ —	$ —	$ —		$ —		$ 2.07	(e)
Earnings (loss) per share - diluted	$ 1.78	$ —	$ —	$ —		$ —		$ 2.03	(e)
Weighted average shares outstanding - basic	71,634,555	—	—	21,194,213	(f)	3,720,125	(e)	96,548,893	(e)
Weighted average shares outstanding - diluted	73,728,000	—	—	21,194,213	(f)	3,720,125	(e)	98,642,338	(e)

See accompanying notes to unaudited pro forma condensed combined financial information.

Diversified Energy Company Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2024 (Unaudited)

(In thousands, except share and per unit data)	DEC Historical (Note 1)	Oaktree Historical (Note 1)	Maverick As Adjusted (Note 2)	Canvas As Adjusted (Note 2)	Oaktree Transaction Adjustments (Note 3)		Maverick Transaction Adjustments (Note 4)		Canvas Transaction Adjustments (Note 5)		Pro Forma Combined	
Revenue	$ 794,841	$ 35,398	$ 841,619	$ 279,669	$ 20,891	(a)	$ —		$ —		$ 1,972,418	
Operating expense	(428,902)	(19,344)	(457,013)	(63,011)	(8,562)	(a)	—		—		(976,832)	
Depreciation, depletion and amortization	(256,484)	—	(156,691)	(63,876)	(14,877)	(b)	57,434	(a)	2,629	(a)	(431,865)	
Gross profit	**109,455**	**16,054**	**227,915**	**152,782**	**(2,548)**		**57,434**		**2,629**		**563,721**	
General and administrative expense	(129,119)	—	(76,229)	**(19,830)**	—		(20,852)	(b)	(9,684)	(b)	(255,714)	
Allowance for expected credit losses	(101)	—	—	—	—		—		—		(101)	
Gain (loss) on natural gas and oil property and equipment	25,678	—	25,622	(13)	—		—		—		51,287	
Gain (loss) on sale of equity interest	(7,375)	—	—	—	—		—		—		(7,375)	
Unrealized gain (loss) on investment	(4,013)	—	—	—	—		—		—		(4,013)	
Gain (loss) on derivative financial instruments	(37,551)	—	(54,333)	(2,545)	—		—		—		(94,429)	
Impairment of proved properties	—	—	(120,405)	—	—		—		—		(120,405)	
Operating profit (loss)	**(43,026)**	**16,054**	**2,570**	**130,394**	**(2,548)**		**36,582**		**(7,055)**		**132,971**	
Finance costs	(137,643)	—	(81,702)	(7,654)	(10,684)	(c)	(20,302)	(c)	(27,309)	(c)	(285,294)	
Accretion of asset retirement obligation	(30,868)	—	(13,407)	(1,170)	(754)	(d)	2,017	(d)	29	(d)	(44,153)	
Loss on early retirement of debt	(14,753)	—	—	—	—		—		—		(14,753)	
Other income (expense)	2,338	—	15,928	965	—		—		—		19,231	
Income (loss) before taxation	**(223,952)**	**16,054**	**(76,611)**	**122,535**	**(13,986)**		**18,297**		**(34,335)**		**(191,998)**	
Income tax benefit (expense)	136,951	—	(791)	(34,077)	(497)	(e)	4,391	(e)	(8,240)	(e)	97,737	
Net income (loss)	**(87,001)**	**16,054**	**(77,402)**	**88,458**	**(14,483)**		**22,688**		**(42,575)**		**(94,261)**	
Other comprehensive income (loss)	(1,822)	—	—	—	—		—		—		(1,822)	
Total comprehensive income (loss)	**$ (88,823)**	**$ 16,054**	**(77,402)**	**88,458**	**$ (14,483)**		**$ 22,688**		**$ (42,575)**		**$ (96,083)**	
Net income (loss) attributable to owners of the parent												
Diversified Energy Company	$ (88,272)	$ 16,054	$ (77,402)	$ 88,458	$ (14,483)		$ 22,688		$ (42,575)		$ (95,532)	
Non-controlling interest	1,271	—	—	—	—		—		—		1,271	
Net income (loss)	**$ (87,001)**	**$ 16,054**	**$ (77,402)**	**$ 88,458**	**$ (14,483)**		**$ 22,688**		**$ (42,575)**		**$ (94,261)**	
Earnings (loss) per share attributable to owners of the parent												
Earnings (loss) per share - basic	$ (1.84)	$ —	$ —	$ —	$ —		$ —		$ —		$ (1.31)	(f)
Earnings (loss) per share - diluted	$ (1.84)	$ —	$ —	$ —	$ —		$ —		$ —		$ (1.31)	(f)
Weighted average shares outstanding - basic	48,031,916	—	—	—	—		21,194,213	(f)	3,720,125	(f)	72,946,254	(f)
Weighted average shares outstanding - diluted	48,031,916	—	—	—	—		21,194,213	(f)	3,720,125	(f)	72,946,254	(f)

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1 - BASIS OF PRO FORMA PRESENTATION

The accompanying unaudited pro forma condensed combined financial information was prepared based on:

- the historical consolidated financial statements of the Company for the year ended December 31, 2024 and the nine months ended September 30, 2025,
- the historical Canvas consolidated financial statements for the year ended December 31, 2024 and the nine months ended September 30, 2025,
- the historical Maverick consolidated financial statements for the year ended December 31, 2024, and the historical financial activity of Maverick from January 1, 2025 through March 14, 2025, the closing date of the Maverick Transaction,
- the historical Oaktree statement of revenues and direct operating expenses for the three months ended March 31, 2024, and the historical financial activity of Oaktree from April 1, 2024 through June 6, 2024, the closing date of the Oaktree Transaction.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2025 and the year ended December 31, 2024 were prepared assuming the Canvas, Maverick, and Oaktree transactions occurred on January 1, 2024. The unaudited pro forma condensed combined statement of financial position as of September 30, 2025 was prepared as if the Canvas Transaction had occurred on September 30, 2025. The Maverick Transaction closed on March 14, 2025. The Oaktree Transaction closed on June 6, 2024. Therefore, the Maverick and Oaktree transactions are already included in the Company's condensed consolidated statement of financial position as of September 30, 2025.

The unaudited pro forma condensed combined financial information reflects pro forma adjustments that are described in the accompanying notes and are based on currently available information and certain assumptions that the Company believes are reasonable, however, actual results may differ materially. In the Company’s opinion, all adjustments that are necessary to present fairly the pro forma information have been made. The unaudited pro forma condensed combined financial information does not purport to represent what the Company’s results of operations would have been if the Canvas, Maverick, and Oaktree transactions had actually occurred on the date indicated above, nor is it indicative of the Company’s future results of operations. The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and related notes of the Company, as applicable, for the periods presented.

Note 2 - RECLASSIFICATION ADJUSTMENTS

Certain reclassifications have been made in the historical presentation of the Canvas and Maverick financial statements to conform to the Company’s historical presentation.

Canvas Transaction

Statement of Financial Position as of September 30, 2025
(In thousands)

Canvas Caption	Diversified Caption	Canvas Historical	Reclassification Adjustments		Canvas As Adjusted
	ASSETS				
	Non-current assets:				
Oil and natural gas properties, using the full cost method:					
Proved	Natural gas and oil properties, net	$ 857,330	$ (247,812)	(1)	$ 609,518
Unevaluated (excluded from the amortization base)		49,343	(49,343)	(1)	—
Accumulated depreciation, depletion, amortization and impairment		(297,155)	297,155	(1)	—
Property and equipment, net	Property, plant and equipment, net	4,517	—		4,517
	Intangible assets	—	—		—
	Restricted cash	—	—		—
Derivative instruments	Derivative financial instruments	567	—		567
Right of use assets from operating leases		147	(147)	(2)	—
	Deferred tax asset	—	—		—
Other assets	Other non-current assets	7,970	147	(2)	8,117
	Total non-current assets	**622,719**	**—**		**622,719**
	Current assets:				

Exhibit 99.3

Canvas Caption	Diversified Caption	Canvas Historical	Reclassification Adjustments		Canvas As Adjusted
Accounts receivable:					
Accounts receivable, gross	Trade receivables, net	29,193	(585)	(3)	28,608
Allowance for credit losses		(585)	585	(3)	—
Cash and cash equivalents	Cash and cash equivalents	23,607	—		23,607
	Restricted cash	—	—		—
Derivative instruments	Derivative financial instruments	3,655	—		3,655
Inventories, net		6,920	(6,920)	(4)	—
Prepaid expenses	Other current assets	1,338	6,920	(4)	8,258
	Total current assets	**64,128**	**—**		**64,128**
	Total assets	**686,847**	**—**		**686,847**
	EQUITY AND LIABILITIES				
	Shareholders' equity:				
Preferred stock, 100,000 shares authorized, none issued and outstanding		—	—		—
Common stock, $0.01 par value, 8,000,000 shares authorized; 4,757,709 issued and outstanding at September 30, 2025	Share capital	48	—		48
Additional paid in capital	Share premium	178,232	—		178,232
	Treasury reserve	—	—		—
	Share-based payment and other reserves	—	—		—
Retained earnings	Retained earnings (accumulated deficit)	300,923	—		300,923
	Equity attributable to owners of the parent	**479,203**	**—**		**479,203**
	Non-controlling interest	—	—		—
	Total equity	**479,203**	**—**		**479,203**
	Non-current liabilities:				
Asset retirement obligations	Asset retirement obligations	13,648	—		13,648
Noncurrent operating lease obligations	Leases	—	—		—
Long-term debt and financing leases, less current maturities	Borrowings	83,509	—		83,509
Deferred income taxes	Deferred tax liability	64,286	—		64,286
Derivative instruments	Derivative financial instruments	317	—		317
Other noncurrent liabilities	Other non-current liabilities	5,348	—		5,348
	Total non-current liabilities	**167,108**	**—**		**167,108**
	Current liabilities:				
Accounts payable and accrued liabilities	Trade and other payables	17,628	22,212	(5)	39,840
Accrued payroll and benefits payable		5,439	(5,439)	(5)	—
Accrued interest payable		132	(132)	(5)	—
Revenue distribution payable		16,641	(16,641)	(5)	—
	Borrowings	—	—		—
Derivative instruments	Derivative financial instruments	57	—		57
Long-term debt and financing leases, classified as current		639	(639)	(6)	—
	Other current liabilities	—	639	(6)	639
	Total current liabilities	**40,536**	**—**		**40,536**
	Total liabilities	**207,644**	**—**		**207,644**
	Total equity and liabilities	**$ 686,847**	**$ —**		**$ 686,847**

(1) Represents the reclassification of balances contained in "Unevaluated properties" and "Accumulated depletion, depreciation, and impairment" on Canvas' historical balance sheet to "Natural gas and oil properties, net" to conform to the Company's balance sheet presentation.

(2) Represents the reclassification of balances contained in "Right of use assets for operating leases" on Canvas' historical balance sheet to "Other non-current assets" to conform to the Company's balance sheet presentation.

(3) Represents the reclassification of balances contained in "Allowance for credit losses" on Canvas' historical balance sheet to "Trade receivables, net" to conform to the Company's balance sheet presentation.

(4) Represents the reclassification of balances contained in "Inventories, net" and "Prepaid expenses" on Canvas' historical balance sheet to "Other current assets" to conform to the Company's balance sheet presentation.

(5) Represents the reclassification of balances contained in "Accrued payroll and benefits payable", "Accrued interest payable", and "Revenue distribution payable" on Canvas' historical balance sheet to "Trade and other payables" to conform to the Company's balance sheet presentation.

(6) Represents the reclassification of balances contained in "Long-term debt and financing leases, classified as current" on Canvas' historical balance sheet to "Other current liabilities" to conform to the Company's balance sheet presentation.

Statement of Operations for the Nine Months Ended September 30, 2025
(In thousands)

Canvas Caption	Diversified Caption	Canvas Historical	Reclassification Adjustments		Canvas As Adjusted
Commodity sales	Revenue	221,110	—		221,110
Operating costs	Operating expense	—	53,442	(1)(4)	(53,442)
Lease operating		34,812	(34,812)	(1)	—
Transportation and processing		6,266	(6,266)	(1)	—
Production taxes		12,364	(12,364)	(1)	—
Depreciation, depletion and amortization	Depreciation, depletion and amortization	57,578	(795)	(2)(4)	(56,783)
	Gross profit	**110,090**	**(795)**		**110,885**
General and administrative	General and administrative expense	15,819	—	(4)	(15,819)
	Allowance for expected credit losses	—	—		—
Gain (loss) on sale of assets	Gain (loss) on natural gas and oil property and equipment	118	—		118
	Gain (loss) on sale of equity interest	—	—		—
	Unrealized gain (loss) on investment	—	—		—
Derivative gains (losses), net	Gain (loss) on derivative financial instruments	4,749	—		4,749
	Operating profit (loss)	**99,138**	**(795)**		**99,933**
Interest expense	Finance costs	(5,840)	—		(5,840)
	Accretion of asset retirement obligation	—	795	(2)(4)	(795)
	Loss on early retirement of debt	—	—		—
Other income, net	Other income (expense)	1,225	—		1,225
	Income (loss) before taxation	**94,523**	**—**		**94,523**
Income tax expense (benefit) - current	Income tax benefit (expense)	545	20,943	(3)	(21,488)
Income tax expense (benefit) - deferred		20,943	(20,943)	(3)(4)	—
	Net income (loss)	**73,035**	**—**		**73,035**
	Other comprehensive income (loss)	—	—		—
	Total comprehensive income (loss)	**73,035**	**—**		**73,035**

(1) Represents the reclassification of amounts contained in "Lease operating", "Transportation and processing", and "Production taxes" on Canvas' historical income statement to "Operating expense" to conform to the Company's income statement presentation.

(2) Represents the reclassification of accretion amounts contained in "Depreciation, depletion, accretion, and amortization" to "Accretion of asset retirement obligation" to conform to the Company's income statement presentation.

(3) Represents the reclassification of amounts contained in "Income tax expense (benefit) - current" and "Income tax expense (benefit) - deferred" to "Income tax benefit (expense)" to conform to the Company's income statement presentation.

(4) Represents the presentation on Canvas' historical income statement as a negative value to conform to the Company's income statement presentation.

Statement of Operations for the Twelve Months Ended December 31, 2024
(In thousands)

Canvas Caption	Diversified Caption	Canvas Historical	Reclassification Adjustments		Canvas As Adjusted
Commodity sales	Revenue	279,669	—		279,669
Operating costs	Operating expense	—	63,011	(1)(4)	(63,011)
Lease operating		41,086	(41,086)	(1)	—
Transportation and processing		5,589	(5,589)	(1)	—
Production taxes		16,336	(16,336)	(1)	—
Depreciation, depletion, accretion and amortization	Depreciation, depletion and amortization	65,046	(1,170)	(2)(4)	(63,876)
	Gross profit	**151,612**	**(1,170)**		**152,782**
General and administrative	General and administrative expense	19,830	—	(4)	(19,830)
	Allowance for expected credit losses	—	—		—
Gain (loss) on sale of assets	Gain (loss) on natural gas and oil property and equipment	(13)	—		(13)
	Gain (loss) on sale of equity interest	—	—		—
	Unrealized gain (loss) on investment	—	—		—
Derivative gains (losses), net	Gain (loss) on derivative financial instruments	(2,545)	—		(2,545)
	Operating profit (loss)	**129,224**	**(1,170)**		**130,394**
Interest expense	Finance costs	(7,654)	—		(7,654)
	Accretion of asset retirement obligation	—	1,170	(2)(4)	(1,170)
	Loss on early retirement of debt	—	—		—
Other income, net	Other income (expense)	965	—		965
	Income (loss) before taxation	**122,535**	**—**		**122,535**
Income tax expense (benefit) - current	Income tax benefit (expense)	(928)	35,005	(3)	(34,077)
Income tax expense (benefit) - deferred		35,005	(35,005)	(3)(4)	
	Net income (loss)	**88,458**	**—**		**88,458**
	Other comprehensive income (loss)	—	—		—
	Total comprehensive income (loss)	**$ 88,458**	**$ —**		**$ 88,458**

(1) Represents the reclassification of amounts contained in "Lease operating", "Transportation and processing", and "Production taxes" on Canvas' historical income statement to "Operating expense" to conform to the Company's income statement presentation.

(2) Represents the reclassification of accretion amounts contained in "Depreciation, depletion, accretion, and amortization" to "Accretion of asset retirement obligation" to conform to the Company's income statement presentation.

(3) Represents the reclassification of amounts contained in "Income tax expense (benefit) - current" and "Income tax expense (benefit) - deferred" to "Income tax benefit (expense)" to conform to the Company's income statement presentation.

(4) Represents the presentation on Canvas' historical income statement as a negative value to conform to the Company's income statement presentation.

Maverick Transaction

Statement of Operations for the Period of January 1, 2025 to March 14, 2025
(In thousands)

Maverick Caption	Diversified Caption	Maverick Historical	Reclassification Adjustments		Maverick As Adjusted
Oil revenues		$ 93,665	$ (93,665)	(1)	$ —
Natural gas revenues		41,668	(41,668)	(1)	—
NGL revenues		18,724	(18,724)	(1)	—
Other revenues, net		12,077	(12,077)	(1)	—
	Revenue	—	166,134	(1)	166,134
Operating costs	Operating expense	77,620	—	(5)	(77,620)
Depletion, depreciation and amortization	Depreciation, depletion and amortization	24,408	(2,076)	(2)(5)	(22,332)

Maverick Caption	Diversified Caption	Maverick Historical	Reclassification Adjustments		Maverick As Adjusted
	Gross profit	**64,106**	**(2,076)**		**66,182**
General and administrative expenses	General and administrative expense	23,113	5,198	(3)(5)	(28,311)
Restructuring costs		5,198	(5,198)	(3)	—
	Allowance for expected credit losses	—	—		—
(Gain) loss on sale of assets	Gain (loss) on natural gas and oil property and equipment	(7,152)	—	(6)	7,152
	Gain (loss) on sale of equity interest	—	—		—
	Unrealized gain (loss) on investment	—	—		—
Realized gain (loss) on commodity derivative instruments	Gain (loss) on derivative financial instruments	(5,376)	(6,168)	(4)	(11,544)
Unrealized gain (loss) on commodity derivative instruments		(6,168)	6,168	(4)	—
	Operating profit (loss)	**31,403**	**(2,076)**		**33,479**
Interest expense	Finance costs	14,833	—	(5)	(14,833)
	Accretion of asset retirement obligation	—	2,076	(2)(5)	(2,076)
	Loss on early retirement of debt	—	—		—
Other income, net	Other income (expense)	(417)	—	(6)	417
	Income (loss) before taxation	**16,987**	**—**		**16,987**
Income tax expense (benefit)	Income tax benefit (expense)	(59)	—	(5)	59
	Net income (loss)	**17,046**	**—**		**17,046**
	Other comprehensive income (loss)	—	—		—
	Total comprehensive income (loss)	**$ 17,046**	**$ —**		**$ 17,046**

(1) Represents the reclassification of amounts contained in "Oil revenues," "Natural gas revenues," "NGL revenues," and "Other revenues, net" on Maverick's historical income statement to "Revenue" to conform to the Company's income statement presentation.

(2) Represents the reclassification of amounts contained in "Depletion, depreciation and amortization" on Maverick's historical income statement to "Accretion of asset retirement obligation" to conform to the Company's income statement presentation.

(3) Represents the reclassification of amounts contained in "General and administrative expenses" and "Restructuring costs" on Maverick's historical income statement to "General and administrative expense" to conform to the Company's income statement presentation.

(4) Represents the reclassification of amounts contained in "Realized gain (loss) on commodity derivative instruments" and "Unrealized gain (loss) on commodity derivative instruments" on Maverick's historical income statement to "Gain (loss) on derivative financial instruments" to conform to the Company's income statement presentation.

(5) Represents the presentation on Maverick's historical income statement as a negative value to conform to the Company's income statement presentation.

(6) Represents the presentation on Maverick's historical income statement as a positive value to conform to the Company's income statement presentation.

Statement of Operations for the Twelve Months Ended December 31, 2024
(In thousands)

Maverick Caption	Diversified Caption	Maverick Historical	Reclassification Adjustments		Maverick As Adjusted
Oil revenues		$ 551,432	$ (551,432)	(1)	$ —
Natural gas revenues		113,794	(113,794)	(1)	—
NGL revenues		102,653	(102,653)	(1)	—
Other revenues, net		73,740	(73,740)	(1)	—
	Revenue	—	841,619	(1)	841,619
Operating costs	Operating expense	457,013	—	(4)	(457,013)
Depletion, depreciation and amortization	Depreciation, depletion and amortization	170,098	(13,407)	(2)(4)	(156,691)
	Gross profit	**214,508**	**(13,407)**		**227,915**
General and administrative expenses	General and administrative expense	67,108	9,121	(3)(4)	(76,229)

Maverick Caption	Diversified Caption	Maverick Historical	Reclassification Adjustments		Maverick As Adjusted
Restructuring costs		9,121	(9,121)	(3)	—
	Allowance for expected credit losses	—	—		—
(Gain) loss on sale of assets	Gain (loss) on natural gas and oil property and equipment	(25,622)	—	(5)	25,622
	Gain (loss) on sale of equity interest	—	—		—
	Unrealized gain (loss) on investment	—	—		—
Gain (loss) on commodity derivative instruments	Gain (loss) on derivative financial instruments	(54,333)	—		(54,333)
Impairment of oil and natural gas properties	Impairment of proved properties	120,405	—	(4)	(120,405)
	Operating profit (loss)	**(10,837)**	**(13,407)**		**2,570**
Interest expense	Finance costs	81,702	—	(4)	(81,702)
	Accretion of asset retirement obligation	—	13,407	(2)(4)	(13,407)
	Loss on early retirement of debt	—	—		—
Other income, net	Other income (expense)	(15,928)	—	(5)	15,928
	Income (loss) before taxation	**(76,611)**	—		**(76,611)**
Income tax expense (benefit)	Income tax benefit (expense)	791	—	(4)	(791)
	Net income (loss)	**(77,402)**	—		**(77,402)**
	Other comprehensive income (loss)	—	—		—
	Total comprehensive income (loss)	**$ (77,402)**	**$ —**		**$ (77,402)**

(1) Represents the reclassification of amounts contained in "Oil revenues," "Natural gas revenues," NGL revenues," and "Other revenues, net" on Maverick's historical income statement to "Revenue" to conform to the Company's income statement presentation.

(2) Represents the reclassification of amounts contained in "Depletion, depreciation and amortization" on Maverick's historical income statement to "Accretion of asset retirement obligation" to conform to the Company's income statement presentation.

(3) Represents the reclassification of amounts contained in "General and administrative expenses" and "Restructuring costs" on Maverick's historical income statement to "General and administrative expense" to conform to the Company's income statement presentation.

(4) Represents the presentation on Maverick's historical income statement as a negative value to conform to the Company's income statement presentation.

(5) Represents the presentation on Maverick's historical income statement as a positive value to conform to the Company's income statement presentation.

Note 3 - PRO FORMA ADJUSTMENTS - OAKTREE TRANSACTION

The unaudited pro forma condensed combined financial information reflects the adjustments listed below for the Oaktree Transaction. These adjustments are expected to have a continuing impact on the combined Company, unless stated otherwise.

(a) Adjustments are for the period April 1, 2024 through June 6, 2024, the date the Oaktree Transaction closed.

(b) Depletion expense associated with the acquired producing properties for the period presented.

(c) Interest expense for the Company's related $172 million borrowing on its Credit Facility and ABS Warehouse Facility using current interest rates, the issuance of an $83 million note payable to Oaktree and the assumption of Oaktree's $133 million proportionate share of the ABS VI debt.

(d) Accretion of asset retirement obligation associated with Oaktree's proportionate working interest in the asset retirement obligations.

(e) Adjustments to the income tax provision reflect the historical and adjusted income (loss) before taxation multiplied by an approximate 24% effective tax rate for the periods presented.

Note 4 - PURCHASE PRICE ALLOCATION & PRO FORMA ADJUSTMENTS - MAVERICK

Maverick Transaction

Statement of Operations

The unaudited pro forma combined statement of operations for the nine months ended September 30, 2025 reflects the adjustments listed below for the Maverick Transaction. These adjustments are expected to have a continuing impact on the combined Company, unless stated otherwise.

(a) Adjustments are for the period January 1, 2025 through March 14, 2025, the date the Maverick Transaction closed.

(b) Represents the incremental depreciation, depletion and amortization expense related to the assets acquired in the Maverick Transaction, which is based on the preliminary purchase price allocation. Depletion was calculated using the unit-of-production method under the successful efforts method of accounting. The depletion expense was adjusted for the revision to the depletion rate reflecting the acquisition costs and the reserves volumes attributable to the acquired oil and gas properties. The pro forma depletion rate attributable to the Maverick Transaction was $4.49 per barrel of oil equivalent.

(c) Represents the net increase to interest expense resulting from the (i) incremental interest expense for borrowings on Diversified's expanded credit facility to finance the closing of the Maverick Transaction and (ii) incremental interest expense for the amortization of estimated financing costs related to the amendment entered into by Diversified on the closing date of the Maverick Transaction to increase the borrowing base capacity and commitment amounts on Diversified's revolving credit facility as follows:

(In thousands)		Period January 1, 2025 - March 14, 2025
Incremental interest expense for borrowings on Diversified's expanded revolving credit facility		(3,590)
Incremental interest expense for amortization of expected financing costs		(639)
Net transaction accounting adjustments to interest expense	**$**	**(4,229)**

(d) Represents an increase in accretion expense attributable to asset retirement obligations of $297 thousand for the nine months ended September 30, 2025.

(e) Represents the estimated income tax impact of the pro forma adjustments from the Maverick Transaction at the estimated blended federal and state statutory rate of approximately 24% for the nine months ended September 30, 2025. Because the tax rates used for these unaudited pro forma condensed combined financial statements are an estimate, the blended rate will likely vary from the actual effective rate in periods subsequent to the completion of the Maverick Transaction.

(f) The table below represents the calculation of the weighted average shares outstanding and earnings per share included in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2025. As the Maverick Transaction is being reflected in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2025 as if it had occurred on January 1, 2024, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares issuable related to the Maverick Transaction have been outstanding for the entire period.

(In thousands, except share and per unit data)		Nine Months Ended September 30, 2025
Net income (loss), pro forma combined	**$**	**200,269**
Diversified weighted average shares outstanding - basic		71,634,555
Diversified shares issued in exchange for legacy Maverick shares as part of consideration transferred		21,194,213
Pro forma weighted average shares outstanding - basic		**92,828,768**
Dilutive impact of potential shares		2,093,445
Pro forma weighted average shares outstanding - diluted		**94,922,213**
Earnings attributable to Diversified per share, basic	$	2.16
Earnings attributable to Diversified per share, diluted	$	2.11
Potentially dilutive shares[1]		3,062

(1) Outstanding share-based payment awards excluded from the diluted EPS calculation because their effect would have been anti-dilutive.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024 reflects the adjustments listed below. These adjustments are expected to have a continuing impact on the combined Company, unless stated otherwise.

(a) Represents the incremental depreciation, depletion and amortization expense related to the assets acquired in the Maverick Transaction, which is based on the preliminary purchase price allocation. Depletion was calculated using the unit-of-production method under the successful efforts method of accounting. The depletion expense was adjusted for the revision to the depletion rate reflecting the acquisition costs and the reserves volumes attributable to the acquired oil and gas properties. The pro forma depletion rate attributable to the Maverick Transaction was $4.49 per barrel of oil equivalent.

(b) Represents the accrual of $20.9 million of transaction costs incurred by Diversified upon closing the Maverick Transaction. These costs are nonrecurring and will not affect Diversified's statement of operations beyond 12 months after the closing of the Maverick Transaction.

(c) Represents the net increase to interest expense resulting from the (i) incremental interest expense for borrowings on Diversified's expanded credit facility to finance the closing of the Maverick Transaction and (ii) incremental interest expense for the amortization of estimated financing costs related to the amendment entered into by Diversified on the closing date of the Maverick Transaction to increase the borrowing base capacity and commitment amounts on Diversified's revolving credit facility as follows:

(In thousands)		Year Ended December 31, 2024
Incremental interest expense for borrowings on Diversified's expanded revolving credit facility		(17,235)
Incremental interest expense for amortization of expected financing costs		(3,067)
Net transaction accounting adjustments to interest expense	**$**	**(20,302)**

(d) Represents a decrease in accretion expense attributable to asset retirement obligations of $2 million for the year ended December 31, 2024 due to a downward adjustment in the asset retirement obligation based on its fair value under IFRS.

(e) Represents the estimated income tax impact of the pro forma adjustments from the Maverick Transaction at the estimated blended federal and state statutory rate of approximately 24% for the year ended December 31, 2024. Because the tax rates used for these unaudited pro forma condensed combined financial statements are an estimate, the blended rate will likely vary from the actual effective rate in periods subsequent to the completion of the Maverick Transaction.

(f) The table below represents the calculation of the weighted average shares outstanding and earnings per share included in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024. As the Maverick Transaction is being reflected in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024 as if it had occurred on January 1, 2024, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares issuable related to the Maverick Transaction have been outstanding for the entire year.

(In thousands, except share and per unit data)		Year Ended December 31, 2024
Net income (loss), pro forma combined	**$**	**(95,532)**
Diversified weighted average shares outstanding - basic		48,031,916
Diversified shares issued in exchange for legacy Maverick shares as part of consideration transferred		21,194,213
Pro forma weighted average shares outstanding - basic		**69,226,129**
Dilutive impact of potential shares		0
Pro forma weighted average shares outstanding - diluted		**69,226,129**
Earnings attributable to Diversified per share, basic	$	(1.38)
Earnings attributable to Diversified per share, diluted	$	(1.38)
Potentially dilutive shares[1]		640,568

(1) Outstanding share-based payment awards excluded from the diluted EPS calculation because their effect would have been anti-dilutive.

Note 5 - PURCHASE PRICE ALLOCATION & PRO FORMA ADJUSTMENTS - CANVAS

Canvas Transaction

Statement of Financial Position

The unaudited pro forma condensed combined statement of financial position as of September 30, 2025 reflects the following adjustments for the Canvas Transaction:

(a) The Company accounted for the Canvas Transaction as an asset acquisition in accordance with IFRS 3. The allocation of the purchase price is based upon management's estimates of and assumptions related to the relative fair value of assets acquired and liabilities assumed as of November 24, 2025.

The tables below represent the value of the total consideration and its allocation to the net assets acquired:

(In thousands, except share and per unit data)	Diversified Shares Issued[1]	Price per Share[2]	Purchase Price Consideration
Diversified shares issued to former Canvas unitholders	3,720,125	$ 14.51	$ 53,979
PLUS: Cash consideration to Canvas			398,534
Preliminary purchase price consideration			**$ 452,513**

(1) The Diversified shares issued consists of the number of shares of Diversified common stock issued to legacy Canvas unitholders on the close date of the Canvas Transaction.

(2) The per share price reflects the closing price per share of Diversified common stock as of November 24, 2025.

(In thousands)	Preliminary Purchase Price Allocation
Assets acquired	
Non-current assets	
Natural gas and oil properties, net	$ 573,748
Property, plant and equipment, net	3,097
Other non-current assets	913
Current assets	
Trade receivables, net	28,608
Cash and cash equivalents	35,609
Other current assets	6,920
Total assets acquired	**648,895**
Liabilities assumed	
Non-current liabilities	
Asset retirement obligations[1]	(16,599)
Borrowings	(83,509)
Deferred tax liability	(43,118)
Other non-current liabilities	(616)
Current liabilities	
Trade and other payables	(39,840)
Other current liabilities[1]	(12,700)
Total liabilities assumed	**(196,382)**
Net assets acquired	**$ 452,513**
Preliminary purchase price consideration	**$ 452,513**

(1) Canvas prepares its financial statements in accordance with U.S. GAAP, while, as previously noted, the Company prepares its financial statements in accordance with IFRS. Accordingly, the Company has adjusted Canvas' current and non-current asset retirement obligation to conform to IFRS. No other material adjustments were necessary to conform to Diversified's IFRS

presentation. *Additionally, Canvas follows the full cost method of accounting, while the Company uses successful efforts. No material adjustments were necessary to conform to successful efforts.*

(b) Represents the adjustment to remove the assets held in the Canvas Rabbi Trust, which were paid to former Canvas employees that participated in the incentive compensation plan.

(c) Represents the adjustment for additional net cash acquired, which consisted of approximately $40 million of cash flows due to Diversified that were earned between the effective date and close date of the transaction and paid as consideration by Canvas, which was reduced by payment of approximately $28 million by Diversified as consideration for the settlement of legacy Canvas unit-based awards under the Canvas incentive compensation plan.

(d) Represents the adjustment for Diversified's valuation of the acquired deferred tax liability.

(e) Primarily represents the adjustment to establish a liability of approximately $9.7 million related to severance payments owed by Diversified to certain Canvas executive and non-executive legacy employees .

Statement of Operations

The unaudited pro forma combined statement of operations for the nine months ended September 30, 2025 reflects the adjustments listed below for the Canvas Transaction. These adjustments are expected to have a continuing impact on the combined Company, unless stated otherwise.

(a) Represents the adjustment for depreciation, depletion and amortization expense related to the assets acquired in the Canvas Transaction, which is based on the purchase price allocation. Depletion was calculated using the unit-of-production method under the successful efforts method of accounting. The depletion expense was adjusted for the revision to the depletion rate reflecting the acquisition costs and the reserves volumes attributable to the acquired oil and gas properties. The pro forma depletion rate attributable to the Canvas Transaction was $6.87 per barrel of oil equivalent.

(b) Represents the increase to interest expense resulting from the (i) interest expense for borrowings on the newly formed ABS note to fund the Canvas Transaction and (ii) incremental interest expense for borrowings on Diversified's credit facility to finance the closing of the Canvas Transaction as follows:

(In thousands)		**Nine Months Ended September 30, 2025**
Interest expense for borrowings on newly formed ABS Note		(16,086)
Incremental interest expense for borrowings on Diversified credit facility		(3,180)
Net transaction accounting adjustments to interest expense	**$**	**(19,266)**

(c) Represents an increase in accretion expense attributable to asset retirement obligations of $61 thousand for the nine months ended September 30, 2025 due to an upward adjustment in the asset retirement obligation based on its fair value under IFRS.

(d) Represents the estimated income tax impact of the pro forma adjustments from the Canvas Transaction at the estimated blended federal and state statutory rate of approximately 24% for the nine months ended September 30, 2025. Because the tax rates used for these unaudited pro forma condensed combined financial statements are an estimate, the blended rate will likely vary from the actual effective rate in periods subsequent to the completion of the Canvas Transaction.

(e) The table below represents the calculation of the weighted average shares outstanding and earnings per share included in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2025. As the Canvas Transaction is being reflected in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2025 as if it had occurred on January 1, 2024, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares issuable related to the Canvas Transaction have been outstanding for the entire period.

(In thousands, except share and per unit data)		Nine Months Ended September 30, 2025
Net income (loss), pro forma combined	**$**	**200,269**
Diversified weighted average shares outstanding - basic		71,634,555
Diversified shares issued in exchange for legacy Canvas shares as part of consideration transferred		3,720,125
Pro forma weighted average shares outstanding - basic		**75,354,680**
Dilutive impact of potential shares		2,093,445
Pro forma weighted average shares outstanding - diluted		**77,448,125**
Earnings attributable to Diversified per share, basic	$	2.66
Earnings attributable to Diversified per share, diluted	$	2.59
Potentially dilutive shares[1]		3,062

(1) Outstanding share-based payment awards excluded from the diluted EPS calculation because their effect would have been anti-dilutive.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024 reflects the adjustments listed below. These adjustments are expected to have a continuing impact on the combined Company, unless stated otherwise.

(a) Represents the adjustment for depreciation, depletion and amortization expense related to the assets acquired in the Canvas Transaction, which is based on the preliminary purchase price allocation. Depletion was calculated using the unit-of-production method under the successful efforts method of accounting. The depletion expense was adjusted for the revision to the depletion rate reflecting the acquisition costs and the reserves volumes attributable to the acquired oil and gas properties. The pro forma depletion rate attributable to the Canvas Transaction was $6.87 per barrel of oil equivalent.

(b) Represents $9.7 million of estimated severance costs payable to certain Canvas employees. These costs are nonrecurring and will not affect Diversified's statement of operations beyond 12 months after the closing of the Canvas Transaction.

(c) Represents the increase to interest expense resulting from the (i) interest expense for borrowings on the newly formed ABS note to fund the Canvas Transaction and (ii) incremental interest expense for borrowings on Diversified's credit facility to finance the closing of the Canvas Transaction as follows:

(In thousands)		Year Ended December 31, 2024
Interest expense for borrowings on newly formed ABS Note		(23,100)
Incremental interest expense for borrowings on Diversified credit facility		(4,209)
Total transaction accounting adjustments to interest expense	**$**	**(27,309)**

(d) Represents a decrease in accretion expense attributable to asset retirement obligations of $29 thousand for the year ended December 31, 2024.

(e) Represents the estimated income tax impact of the pro forma adjustments from the Canvas Transaction at the estimated blended federal and state statutory rate of approximately 24% for the year ended December 31, 2024. Because the tax rates used for these unaudited pro forma condensed combined financial statements are an estimate, the blended rate will likely vary from the actual effective rate in periods subsequent to the completion of the Canvas Transaction.

(f) The table below represents the calculation of the weighted average shares outstanding and earnings per share included in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024. As the Canvas Transaction is being reflected in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024 as if it had occurred on January 1, 2024, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares issuable related to the Canvas Transaction have been outstanding for the entire year.

(In thousands, except share and per unit data)		Year Ended December 31, 2024
Net income (loss), pro forma combined	**$**	**(95,532)**
Diversified weighted average shares outstanding - basic		48,031,916
Diversified shares issued in exchange for legacy Canvas shares as part of consideration transferred		3,720,125
Pro forma weighted average shares outstanding - basic		**51,752,041**
Dilutive impact of potential shares		0
Pro forma weighted average shares outstanding - diluted		**51,752,041**
Earnings attributable to Diversified per share, basic	$	(1.85)
Earnings attributable to Diversified per share, diluted	$	(1.85)
Potentially dilutive shares[1]		640,658

(1) Outstanding share-based payment awards excluded from the diluted EPS calculation because their effect would have been anti-dilutive.

Note 6 - SUPPLEMENTAL OIL & GAS RESERVE INFORMATION

Estimated Quantities of Proved Oil and Natural Gas Reserves

The following tables present information regarding net proved oil and natural gas reserves attributable to the Company's interests in proved properties as of December 31, 2024, along with a summary of changes in quantities of net remaining proved reserves during the year ended December 31, 2024. The information set forth in the tables regarding historical reserves of the Company is based on proved reserves reports prepared in accordance with Securities and Exchange Commission's ("SEC") rules. The Company's petroleum engineers prepared the proved reserves reports as of December 31, 2024.

In addition, the following tables also set forth information as of December 31, 2024 about the estimated net proved oil and natural gas reserves attributable to the Canvas and Maverick transactions, and the pro forma estimated net proved oil and natural gas reserves as if the Canvas and Maverick transactions had occurred on January 1, 2024. The reserve estimates attributable to the Canvas and Maverick transactions at December 31, 2024 and the summary of changes in quantities of net remaining proved reserves during the year ended December 31, 2024 presented in the table below were prepared in accordance with the authoritative guidance of the SEC on oil and natural gas reserve estimation and disclosures.

Reserve estimates are inherently imprecise and are generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, reserve estimates are expected to change, and such changes could be material and occur in the near term as future information becomes available.

	Natural Gas (MMcf)			
	DEC Historical	Maverick Transaction Adjustments	Canvas Transaction Adjustments	Pro Forma Combined
Total proved reserves, beginning of period	**3,200,044**	**753,600**	**222,839**	**4,176,483**
Revisions of previous estimates	(212,056)	(54,878)	(11,257)	(278,191)
Extensions, discoveries and other additions	897	93,641	39,631	134,169
Production	(244,298)	(59,982)	(22,860)	(327,140)
Purchase of reserves in place	151,210	—	787	151,997
Sales of reserves in place	(178)	(97,408)	(1,705)	(99,291)
Total proved reserves, end of period	**2,895,619**	**634,973**	**227,435**	**3,758,027**
Proved developed reserves				
Beginning of period	3,184,499	611,472	201,793	3,997,764
End of period	2,895,619	492,381	196,625	3,584,625
Proved undeveloped reserves:				
Beginning of period	15,545	142,128	21,047	178,720
End of period	—	142,592	30,810	173,402

	NGLs (MBbls)			
	DEC Historical	Maverick Transaction Adjustments	Canvas Transaction Adjustments	Pro Forma Combined
Total proved reserves, beginning of period	**95,701**	**67,198**	**27,543**	**190,442**
Revisions of previous estimates	11,305	(4,929)	(2,864)	3,512
Extensions, discoveries and other additions	32	1,840	3,920	5,792
Production	(5,980)	(4,988)	(2,493)	(13,461)
Purchase of reserves in place	2,413	—	62	2,475
Sales of reserves in place	—	(5,212)	(139)	(5,351)
Total proved reserves, end of period	**103,471**	**53,909**	**26,029**	**183,409**
Proved developed reserves				
Beginning of period	94,391	58,240	25,091	177,722
End of period	103,471	48,161	23,127	174,759
Proved undeveloped reserves:				
Beginning of period	1,310	8,958	2,453	12,721
End of period	—	5,748	2,902	8,650

	Oil (MBbls)			
	DEC Historical	Maverick Transaction Adjustments	Canvas Transaction Adjustments	Pro Forma Combined
Total proved reserves, beginning of period	**12,616**	**93,957**	**18,796**	**125,369**
Revisions of previous estimates	6,215	(2,460)	(2,407)	1,348
Extensions, discoveries and other additions	33	19,590	7,322	26,945
Production	(1,568)	(7,474)	(2,616)	(11,658)
Purchase of reserves in place	1,228	—	29	1,257
Sales of reserves in place	—	(3,700)	(214)	(3,914)
Total proved reserves, end of period	**18,524**	**99,913**	**20,910**	**139,347**
Proved developed reserves				
Beginning of period	12,380	75,237	14,639	102,256
End of period	18,524	66,175	15,260	99,959
Proved undeveloped reserves:				
Beginning of period	236	18,720	4,157	23,113
End of period	—	33,738	5,650	39,388

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following table presents the standardized measure of discounted future net cash flows relating to the proved oil and natural gas reserves of the Company and the Canvas and Maverick transactions on a pro forma combined basis as of December 31, 2024 as if the Canvas and Maverick transactions had occurred on January 1, 2024. The standardized measure shown below represents estimates only and should not be construed as the current market value of the Company's estimated oil and natural gas reserves or those acquired estimated oil and natural gas reserves attributable to the Canvas and Maverick transactions.

	December 31, 2024			
(In thousands)	DEC Historical	Maverick Transaction Adjustments	Canvas Transaction Adjustments	Pro Forma Combined
Future cash inflows	$ 8,600,093	$ 9,529,738	$ 2,587,461	$ 20,717,292
Future production costs, including taxes	(4,497,171)	(4,017,032)	(1,054,706)	(9,568,909)
Future development costs	(2,655,256)	(1,817,586)	(169,895)	(4,642,737)
Future income tax expense	(303,892)	(681,965)	(257,927)	(1,243,784)
Future net cash flows	**1,143,774**	**3,013,155**	**1,104,933**	**5,261,862**
10% annual discount for estimated timing of cash flows	253,147	(1,363,039)	(489,496)	(1,599,388)
Standardized Measure	**$ 1,396,921**	**$ 1,650,116**	**$ 615,437**	**$ 3,662,474**

The following table sets forth the principal changes in the standardized measure of discounted future net cash flows applicable to estimated net proved oil and natural gas reserves of the Company and the Canvas and Maverick transactions on a pro forma combined basis as of December 31, 2024:

Exhibit 99.3

	December 31, 2024			
(In thousands)	**DEC Historical**	**Maverick Transaction Adjustments**	**Canvas Transaction Adjustments**	**Pro Forma Combined**
Standardized Measure, beginning of year	$ 1,745,536	$ 2,010,348	$ 657,456	$ 4,413,340
Sales and transfers of natural gas and oil produced, net of production costs	(374,104)	(329,812)	(216,658)	(920,574)
Net changes in prices, production costs, and development costs	(804,229)	(105,735)	(101,312)	(1,011,276)
Extensions, discoveries, and other additions, net of future production and development costs	(77,393)	412,936	221,491	557,034
Acquisition of reserves in place	407,175	—	1,004	408,179
Divestiture of reserves in place	(27)	(125,307)	(4,825)	(130,159)
Revisions of previous quantity estimates	(344)	(46,429)	(76,240)	(123,013)
Net change in income taxes	199,303	(391,368)	16,452	(175,613)
Changes in estimated future development costs	—	—	—	—
Previously estimated development costs incurred during the year	12,676	32,125	45,103	89,904
Changes in production rates (timing) and other	56,610	(8,692)	(9,137)	38,781
Accretion of discount	231,718	202,050	82,103	515,871
Standardized Measure, end of year	**$ 1,396,921**	**$ 1,650,116**	**$ 615,437**	**$ 3,662,474**