

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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): September 11, 2024

VIPER ENERGY, INC.

(Exact Name of Registrant as Specified in Charter)

DE

001-36505

46-5001985

(State or other jurisdiction of incorporation)

(Commission File Number)

(I.R.S. Employer Identification Number)

**500 West Texas Ave.
Suite 100
Midland, TX**
(Address of principal
executive offices)

79701
(Zip code)

(432) 221-7400
(Registrant's telephone number, including area code)

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

Check the appropriate box below if the Form 8-K 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(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.000001 Par Value	VNOM	The Nasdaq Stock Market LLC (NASDAQ Global Select Market)

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.

Item 1.01. Entry into a Material Definitive Agreement.

On September 11, 2024, Viper Energy, Inc. (“Viper” or “we”) and its operating subsidiary Viper Energy Partners LLC (“OpCo”), as buyer parties, entered into a definitive purchase and sale agreement (the “Purchase Agreement”) with Tumbleweed Royalty IV, LLC (“TWR IV”) and TWR IV SellCo Parent, LLC, as sellers, pursuant to which OpCo agreed to acquire all of the issued and outstanding interests in TWR IV, LLC and TWR IV SellCo, LLC (the “Pending Acquisition”) for a purchase price consisting of \$461.0 million in cash, the issuance of an aggregate of 10,093,670 OpCo units to TWR IV and an option for TWR IV to acquire the same number of shares of our Class B common stock (the “Option”), subject to the adjustments contemplated in the Purchase Agreement. The Purchase Agreement also contemplates the payment of contingent cash consideration of up to \$41.0 million payable in January of 2026, based on the average price of West Texas Intermediate (WTI) light sweet crude oil prompt month futures contracts for the calendar year 2025 (the “WTI 2025 Average”).

The Pending Acquisition is expected to close on October 1, 2024, subject to customary closing conditions and adjustments. The cash consideration is expected to be funded through a combination of cash on hand, borrowings under OpCo’s revolving credit facility and proceeds from one or more capital markets transactions, subject to market conditions and other factors.

The assets subject to the Pending Acquisition consist of mineral and royalty interests in approximately 3,727 net royalty acres located primarily in the Permian Basin, with net production during the second quarter of 2024 of approximately 3,523 BOE/d.

The Purchase Agreement contains customary representations and warranties, covenants and indemnification provisions of the parties.

At the closing of the Pending Acquisition, we will be obligated to amend and restate (i) the Second Amended and Restated Limited Liability Agreement of OpCo dated as of May 9, 2018, as amended, to admit TWR IV as a member and (ii) that certain Amended and Restated Exchange Agreement dated as of November 10, 2023 to include TWR IV as a holder and a party thereto entitled to the exchange rights (the “Exchange Rights”) with respect to the OpCo units to be acquired by TWR IV at the closing of the Pending Acquisition and, where applicable, shares of our Class B common stock that may be acquired by TWR IV upon exercise of the Option.

Further, at closing of the Pending Acquisition, Viper will be obligated to enter into a registration rights agreement with TWR IV, pursuant to which TWR IV will receive certain demand and piggyback registration rights with respect to the shares of our Class A common stock that may be acquired by TWR IV in exchange for the OpCo units received pursuant to the Purchase Agreement and an equal number of shares of Viper’s Class B common stock in the event TWR IV exercises the Option and its Exchange Rights to be granted at the closing of the Pending Acquisition (the “TWR IV Class A Shares”) and Viper will file with the Securities and Exchange Commission, subject to Sellers’ delivery of certain financial statements for the assets being acquired in the Pending Acquisition and certain other conditions, as promptly as reasonably practicable to facilitate effectiveness on or before the date that is six months following the closing of the Pending Acquisition and in any event within 90 days from the date thereof, a shelf registration statement registering for resale the TWR IV Class A Shares, cause such shelf registration statement to be declared effective promptly thereafter and cause the TWR IV Class A Shares to be listed on the Nasdaq Global Select Market. Viper will bear all registration, offering and listing expenses relating to the TWR IV Class A Shares and the exercise by TWR IV of such registration rights, except that TWR IV will be obligated to pay all underwriting fees, discounts and commissions, placement fees of the underwriters, broker commissions and any transfer taxes and certain fees and expenses of counsel for TWR IV. Under the terms of the Purchase Agreement TWR IV will be subject to a six-month lockup following the closing of the Pending Acquisition with respect to any shares of Class A common stock owned by it.

All of the OpCo units to be issued to TWR IV, the shares of our Class B common stock that may be issued to TWR IV upon its exercise of the Option, and all TWR IV Class A Shares to be issued to TWR IV upon the exercise of its Exchange Rights, will be issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), provided by Section 4(a)(2) of the Securities Act as sales by an issuer not involving any public offering.

The preceding summary of the Purchase Agreement is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which is attached as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 above with respect to the OpCo units, the shares of our Class B common stock to be issued to TWR IV upon its exercise of the Option, and all TWR IV Class A Shares to be issued to TWR IV upon the exercise of its Exchange Rights, is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure

Pending Acquisition Announcement

On September 11, 2024, Viper issued a press release announcing the Pending Acquisition and the related acquisitions discussed below. A copy of the press release for the Pending Acquisition is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Recent Acquisitions

On September 3, 2024, Viper, through its operating subsidiary OpCo, acquired all of the issued and outstanding equity interests in (i) Tumbleweed-Q Royalties, LLC for a purchase price of \$113.4 million in cash and contingent cash consideration of up to \$5.4 million payable in January of 2026, based on the WTI 2025 Average and (ii) MC TWR Royalties, LP and MC TWR Intermediate, LLC for a purchase price of \$75.6 million in cash and contingent cash consideration of up to \$3.6 million payable in January of 2026, based on the WTI 2025 Average (together, the “Q and M Acquisitions” and, collectively with the Pending Acquisition, the “Acquisitions”). The assets subject to the Q and M Acquisitions consisted of mineral and royalty interests in approximately 672 net royalty acres located primarily in the Permian Basin, with net production during the second quarter of 2024 of approximately 787 BOE/d. We funded the cash consideration, and intend to fund the contingent cash consideration, for the Q and M Acquisitions with cash on hand and borrowings under OpCo’s revolving credit facility.

Item 9.01. Financial Statements and Exhibits.

a) Financial Statements of Business or Funds Acquired.

The audited consolidated financial statements of the sellers in the Acquisitions, which comprise the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of changes in members’ equity and the consolidated statements of cash flows, and the related notes to the consolidated financial statements, as of and for the year ended December 31, 2023 are filed as Exhibit 99.2, 99.3 and 99.4 hereto and incorporated by reference herein.

The unaudited interim consolidated financial statements of the sellers in the Acquisitions, which comprise the consolidated balance sheet, the consolidated statements of operations, the consolidated statements of changes in members’ equity and the consolidated statements of cash flows, and the related notes to the consolidated financial statements for the six months ended June 30, 2024, are filed as Exhibit 99.5, 99.6 and 99.7 hereto and incorporated by reference herein.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information of Viper, which comprises the consolidated balance sheet as of June 30, 2024 and the consolidated statements of operations for the six months ended June 30, 2024 and year ended December 31, 2023, and the related notes thereto, is filed as Exhibit 99.8 hereto and incorporated by reference herein.

(d) Exhibits

Number	Description
2.1*#	Purchase and Sale Agreement, dated as of September 11, 2024, by and among Tumbleweed Royalty IV, LLC and TWR IV SellCo Parent, LLC (collectively, as sellers), Viper Energy Partners LLC (as buyer) and Viper Energy, Inc. (as parent, and collectively with Viper Energy Partners LLC, as buyer parties).
23.1*	Consent of Grant Thornton LLP.
23.2*	Consent of Cawley, Gillespie and Associates, Inc.
23.3*	Consent of Ryder Scott Company, LP.
99.1**	Press release, dated September 11, 2024, entitled "Viper Energy, Inc., a subsidiary of Diamondback Energy, Inc., Announces Acquisition."
99.2*	Audited consolidated financial statements of Tumbleweed-Q Royalty Partners, LLC as of and for the year ended December 31, 2023.
99.3*	Audited consolidated financial statements of MC Tumbleweed Royalty, LLC as of and for the year ended December 31, 2023.
99.4*	Audited consolidated financial statements of Tumbleweed Royalty IV, LLC as of and for the year ended December 31, 2023.
99.5*	Unaudited consolidated financial statements of Tumbleweed-Q Royalty Partners, LLC as of and for the six months ended June 30, 2024.
99.6*	Unaudited consolidated financial statements of MC Tumbleweed Royalty, LLC as of and for the six months ended June 30, 2024.
99.7*	Unaudited consolidated financial statements of Tumbleweed Royalty IV, LLC as of and for the six months ended June 30, 2024.
99.8*	Unaudited pro forma condensed combined financial information of Viper Energy, Inc. as of June 30, 2024 and for the six months ended June 30, 2024 and the year ended December 31, 2023.
99.9*	Evaluation report regarding estimates of total proved reserves and forecasts of economics attributable to certain royalty interests of Tumbleweed-Q Royalty Partners, LLC, prepared by Cawley, Gillespie and Associates, Inc., independent petroleum consultants, as of December 31, 2023.
99.10*	Evaluation report regarding estimates of total proved reserves and forecasts of economics attributable to certain royalty interests of MC Tumbleweed Royalty, LLC, prepared by Cawley, Gillespie and Associates, Inc., independent petroleum consultants, as of December 31, 2023.
99.11*	Evaluation report regarding estimates of total proved reserves and forecasts of economics attributable to certain royalty interests of Tumbleweed Royalty IV, LLC, prepared by Cawley, Gillespie and Associates, Inc., independent petroleum consultants, as of December 31, 2023.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

* Filed herewith.

** Furnished herewith.

Schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be provided to the Securities and Exchange Commission upon request.

SIGNATURE

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

VIPER ENERGY, INC.

Date: September 11, 2024

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President and
Assistant Secretary

PURCHASE AND SALE AGREEMENT

by and between

TUMBLEWEED ROYALTY IV, LLC

and

TWR IV SELCO PARENT, LLC

collectively, as Sellers

and

VIPER ENERGY PARTNERS LLC

as Buyer

and

VIPER ENERGY, INC.

as Parent

Dated as of September 11, 2024

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Exhibits and Disclosure Schedules

Exhibits:

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Schedule 6.1(b)	Permitted Activities

PURCHASE AND SALE AGREEMENT

This **PURCHASE AND SALE AGREEMENT** (this “**Agreement**”), dated as of September 11, 2024 (the “**Execution Date**”), is by and among Tumbleweed Royalty IV, LLC, a Delaware limited liability company (“**TWR IV**”), TWR IV SellCo Parent, LLC, a Delaware limited liability company (“**TWR IV SellCo**” and together with TWR IV, each individually a “**Seller**” and, collectively, the “**Sellers**”), and Viper Energy Partners LLC, a Delaware limited liability company (“**Buyer**”) and Viper Energy, Inc., a Delaware corporation (“**Parent**,” and together with Buyer, “**Buyer Parties**” and each a “**Buyer Party**”). This Agreement sometimes refers to Sellers, Buyer and Parent individually as a “**Party**” and collectively as the “**Parties**.”

Recitals

WHEREAS, TWR IV owns all of the issued and outstanding Equity Interests (the “**TWR IV Purchased Interests**”) of TWR IV, LLC, a Texas limited liability company (“**TWR IV Target**”);

WHEREAS, TWR IV SellCo owns all of the issued and outstanding Equity Interests (the “**TWR IV SellCo Purchased Interests**”) of TWR IV SellCo, LLC a Texas limited liability company (“**TWR IV SellCo Target**,” and together with TWR IV Target, each, a “**Company**” and collectively, the “**Companies**”);

WHEREAS, subject to the terms and conditions of this Agreement, TWR IV desires to sell, assign, transfer and convey to Buyer, and Buyer desires to purchase and acquire from TWR IV, the TWR IV Purchased Interests in exchange for payment of the consideration specified in this Agreement; and

WHEREAS, subject to the terms and conditions of this Agreement, TWR IV SellCo desires to sell, assign, transfer and convey to Buyer, and Buyer desires to purchase and acquire from TWR IV SellCo, the TWR IV SellCo Purchased Interests (together with the TWR IV Purchased Interests, the “**Purchased Interests**”) in exchange for payment of the consideration specified in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1

Definitions and Rules of Construction

1.1 **Definitions.** As used in this Agreement, the following terms shall have the following meanings:

“**Adjustment Amount**” has the meaning set forth in Section 2.3.

“**Affiliate**” means, with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. Notwithstanding the foregoing, the term “Affiliate” expressly excludes each of (a) EnCap Investments, L.P. (acting solely in its capacity as agent for and on behalf of one or more of the funds to which it provides investment management services), (b) each of the investment funds sponsored by such entity, and the various portfolio companies of each of such investment funds, (c) each of their respective Affiliates (including their various portfolio companies), other than Sellers and each of such Sellers’ direct Subsidiaries, and (d) each of the officers, directors, managers and direct and indirect equity holders in each of the entities identified in the immediately preceding clauses (a) through (c) who is not also an officer, director, manager or direct or indirect equity holder of Sellers or any of Sellers’ Subsidiaries (in each case, solely in such Person’s capacity as an officer, director, manager or direct or indirect equity holder of such Seller or its Subsidiary, as applicable), except, in each case, that for purposes of Section 6.6(a) and the definition of “Seller Indemnified Parties” (and any indemnities hereunder in favor of Seller or its Affiliates) and any disclaimers or releases/waivers hereunder in favor of (or to the benefit of) Seller or its Affiliates (and, in each case, similar phrases) hereunder, the terms “Affiliate” or “Affiliates” shall include each such Person. As used in this definition, the word “control” (and the words “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

“**Agreement**” has the meaning set forth in the preamble of this Agreement.

“**Allocated Value**” has the meaning set forth in Section 9.1(b).

“**Allocation Dispute Resolution Period**” has the meaning set forth in Section 2.8.

“**Allocation Statement**” has the meaning set forth in Section 2.8.

“**Applicable Company**” means (i) in reference to TWR IV, TWR IV Target and (ii) in reference to TWR IV SellCo, TWR IV SellCo Target.

“**Applicable Contracts**” has the meaning set forth in the definition of “Assets.”

“**Asset Preferential Right**” means any right or agreement that enables any Person to purchase or acquire any Asset with a positive Allocated Value or portion thereof as a result of or in connection with the transfer of such Asset.

“**Asset Taxes**” means any ad valorem, property, excise, severance, production, sales, New Mexico gross receipts, New Mexico compensating, real estate, use, and similar Taxes based upon the acquisition, operation, or ownership of the Assets or the production of Hydrocarbons therefrom or the receipt of proceeds therefrom, but excluding, for the avoidance of doubt, (a) Income Taxes and (b) Transfer Taxes.

“**Assets**” means all the assets, rights and interests owned by the Companies, including the following (but expressly excluding the Excluded Assets):

(a) all oil, gas and other fee mineral interests in and to the lands, Tracts and properties described on Exhibit A-1 attached to this Agreement (such lands, Tracts and properties described in Exhibit A-1, the “**Lands**”), together with any royalty interests attributable to the Lands and any units, lands, tracts or other properties pooled with any of the Lands (collectively, the “**Fee Mineral Interests**”);

(b) any oil, gas, or other well on the Lands, including the wells listed on Exhibit A-2 (each a “**Well**”).

(c) the overriding royalty interests burdening Hydrocarbons produced, saved or sold from the Lands (subject to the Oil and Gas Leases and other burdens) including those described in Exhibit A-1 attached to this Agreement (collectively, the “**ORRI**”);

(d) the non-participating royalty interests burdening Hydrocarbons produced, saved or sold from the Lands including those described in Exhibit A-1 attached to this Agreement (collectively, the “**NPRI**”);

(e) all fee surface interests in mineral classified lands subject to Section 52.171-52.190 of the Texas Natural Resources Code located on the Lands, including those described in Exhibit A-1, and all rights to payments due under any existing lease of mineral classified lands attributable to such lands (collectively, the “**RAL Interests**” and together with the Fee Mineral Interests, Wells, ORRI and NPRI, the “**Oil and Gas Assets**”);

(f) the proceeds, revenues or other benefits attributable to production of Hydrocarbons from or the ownership of the Oil and Gas Assets attributable to periods from and after the Effective Time;

(g) the executive rights, including the right to execute leases, to the extent such executive rights are applicable to the Fee Mineral Interests;

(h) the Contracts by which any of the Oil and Gas Assets are bound or to which they are subject, or that relate to or are otherwise applicable to the Oil and Gas Assets (the “**Applicable Contracts**”);

(i) all Permits to the extent relating to or applicable to any of the Assets and required for ownership or use of the Assets;

(j) the rights and interests of any Company relating to existing claims and causes of action that may be asserted against a Third Party;

(k) the Records; and

(l) all other assets and real or personal property owned, leased or licensed by any Company, including all of the Companies' bank accounts, receivables and cash and cash equivalents, as well as all credits, rebates and refunds.

“**Balance Sheet Date**” has the meaning set forth in Section 4.5(a).

“**Base Purchase Price**” has the meaning set forth in Section 2.2.

“**Book-Tax Disparities**” has the meaning set forth in Section 7.8(b).

“**Business Day**” means any day that is not a Saturday, Sunday or legal holiday in the State of Texas and that is not otherwise a federal holiday in the United States.

“**Buyer**” has the meaning set forth in the preamble of this Agreement.

“**Buyer Closing Certificate**” has the meaning set forth in Section 2.6(d).

“**Buyer Entitlements**” has the meaning set forth in Section 2.11(b).

“**Buyer Indemnified Parties**” has the meaning set forth in Section 11.1.

“**Buyer Party**” and “**Buyer Parties**” have the meaning set forth in the preamble of this Agreement.

“**Buyer Releasing Group**” has the meaning set forth in Section 11.9(b).

“**Cash Amount**” means, with respect to each Company, the amount of all Cash and Cash Equivalents in the possession of such Company as of 12:01 a.m. Central Time on the Closing Date, but shall not include cash for such Company in excess of \$250,000.

“**Cash and Cash Equivalents**” means (a) money, currency or a credit balance in a deposit account at a financial institution, net of checks outstanding as of the time of determination, (b) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, (c) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, (d) commercial paper issued by any bank or any bank holding company owning any bank, and (e) certificates of deposit or bankers' acceptances issued by any commercial bank organized under the applicable Laws of the United States of America.

“**Claim Notice**” has the meaning set forth in Section 11.3(b).

“**Class B Common Stock Option Agreement**” means the Class B Common Stock Option Agreement, by and between Parent, Buyer and TWR IV, substantially in the form attached to this Agreement as Exhibit G.

“**Class B Option**” has the meaning set forth in Section 5.9.

“**Class B Shares**” means shares of Class B common stock, par value \$0.000001 per share, of Parent.

“**Closing**” has the meaning set forth in Section 2.5.

“**Closing Date**” has the meaning set forth in Section 2.5.

“**Closing Statement**” has the meaning set forth in Section 2.4.

“**Closing Statement Accountant**” has the meaning set forth in Section 2.7(b).

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Combined Group**” means any affiliated, combined, consolidated, unitary or similar group with respect to any Income Taxes, including with respect to state and local Income Taxes.

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Company**” or “**Companies**” has the meaning set forth in the preamble of this Agreement.

“**Company Merger**” has the meaning set forth in Section 4.1(d).

“**Company Releasing Group**” has the meaning set forth in Section 11.3(b).

“**Company Reorganization**” has the meaning set forth in Section 4.1(d).

“**Contract**” means any written or oral legally binding written agreement, commitment, lease, license or contract, but excluding any Hydrocarbon leases, other instruments constituting the Companies’ chain of title to the Oil and Gas Assets or any instrument to the extent creating or pursuant to which any Company derives its ownership in and to any of the Oil and Gas Assets.

“**Contracting Parties**” has the meaning set forth in Section 12.14.

“**Contributed Assets**” has the meaning set forth in Section 7.8.

“**Conversion**” has the meaning set forth in Section 4.1(d).

“**Cooperation Period**” has the meaning set forth in Section 6.5.

“**Defensible Title**” means such title of the Companies to the Oil and Gas Assets that is deducible of record and/or provable title evidenced by documentation, which, although not constituting perfect merchantable or marketable title, would be successfully defended if challenged, and which, as of the Effective Time and as of the Closing Date, subject to the Permitted Encumbrances:

(a) with respect to the Fee Mineral Interests, NPRIs, and RAL Interests located within a Tract set forth on Exhibit A-1, entitles the Companies to a number of NRAs in the Target Formation(s) of the Fee Mineral Interest, NPRI, or RAL Interests, as applicable, located within such Tract that is not less than the number of NRAs set forth in the applicable column and row for such Tract on Exhibit A-1 as to the applicable Target Formation(s) for such Fee Mineral Interest, NPRI, or RAL Interests, except for any such decreases that may result from the establishment or amendment of pools or units after the Execution Date;

(b) with respect to the ORRIs located within a Tract set forth on Exhibit A-1, entitles the Companies to a number of NRAs in the Target Formation(s) for each ORRI located within such Tract that is not less than the number of NRAs set forth in the applicable column and row for each ORRI on Exhibit A-1 as to the applicable Target Formation(s) for such ORRI, except for any such decreases that may result from (i) the establishment or amendment of pools or units after the Effective Time or (ii) reversion of interests with respect to operations in which other owners elect or have elected to non-consent or otherwise not participate;

(c) with respect to each currently producing formation for each Well set forth on Exhibit A-2, entitles the Companies to receive not less than the Net Revenue Interest set forth on Exhibit A-2 for such Well of all Hydrocarbons produced, saved and marketed from such Well, throughout the productive life of such Well for such producing formation, except for any decreases that may result from (i) the election to ratify or the establishment or amendment of pools or units on or after the Execution Date, (ii) operations in which a Company owner may elect to be a non-consenting co-owner, or (iii) reversion of interests to co-owners with respect to operations in which such co-owner elected not to consent;; and

(d) is free and clear of all Liens.

“**Diamondback**” means Diamondback Energy, Inc., a Delaware corporation.

“**Disclosure Schedules**” means the disclosure schedules attached to this Agreement.

“**Dollars**” and “**\$**” mean the lawful currency of the United States.

“**Due Diligence Information**” has the meaning set forth in Section 5.17(b).

“**Effective Time**” means 12:00 a.m. Midland, Texas time on July 1, 2024.

“**Environmental Laws**” means Laws of any Governmental Authority relating to public or worker health or safety (regarding Hazardous Materials), pollution or the protection of the environment or natural resources, including, without limitation, those Laws relating to the presence, storage, handling or use of Hazardous Materials and those Laws relating to the generation, processing, treatment, storage, transportation, disposal, discharge, release, remediation, control or other management thereof, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.

“**Equity Interests**” means, with respect to any Person that is not a natural person, (a) any capital stock, partnership interests (whether general or limited), membership interests and any other equity interests or share capital of such Person, (b) any warrants, Contracts or other rights or options to subscribe for or to purchase any capital stock, partnership interests (whether general or limited), membership interests or other equity interests or share capital of such Person, (c) any share appreciation rights, phantom share rights or other similar rights settled into capital stock with respect to such Person or its business and (d) any securities or instruments exchangeable for or convertible or exercisable into any of the foregoing or with any profit participation features with respect to such Person; provided, however, “Equity Interests” expressly excludes any real property interests or interests in any Hydrocarbon leases, fee minerals, reversionary interests, non-participating royalty interests, executive rights, non-executive rights, royalties and any other similar interests in minerals, overriding royalties, reversionary interests, net profit interests, production payments, and other royalty burdens and other interests payable out of production of Hydrocarbons, including any Oil and Gas Assets.

“**ERISA**” has the meaning set forth in Section 4.7(d).

“**Escrow Agent**” means JPMorgan Chase Bank, N.A.

“**Escrow Agreement**” means an Escrow Agreement dated as of the Execution Date by and among Sellers, Buyer and Escrow Agent, in the form attached to this Agreement as Exhibit H.

“**Estimated Adjustment Amount**” has the meaning set forth in Section 2.4.

“**Exchange**” has the meaning set forth in Section 5.9.

“**Excluded Assets**” means the following: (a) the assets and properties, if any, set forth on Schedule 1.2, (b) the Excluded Records; (c) any and all claims for refunds of, credits attributable to, loss carryforwards with respect to, or similar Tax assets related to Pre-Effective Time Asset Taxes or Taxes of a Seller Combined Group; (d) any and all claims for refunds or credits owed to Company from any Governmental Authority or Third Party to the extent related or attributable to the period prior to the Effective Time, (e) the Subject Marks, (f) any proceeds or earnings with respect to any other Excluded Assets, (g) all computer servers, computer hardware, software (including software licenses) phones, cellular phones, radios and similar equipment and property (except owned SCADA equipment), (h) any offices and/or office leases and any personal property (other than the Records) that is located in or on such offices or office leases, and (i) all trade credits, all bank accounts, accounts, receivables, insurance claims and rights (including with respect to matters for which any Seller is obligated to indemnify Buyer Indemnified Parties hereunder) and other proceeds, income, or revenues attributable to the Assets with respect to any period of time prior to the Effective Time, but excluding in each case any such amounts for which the Base Purchase Price is adjusted upwards pursuant to Section 2.3(a).

“**Excluded Asset Assignment**” means an assignment and conveyance of the Excluded Assets from each Company to its Seller or its designees in the form attached hereto as Exhibit C.

“Excluded Records” means: (a) any and all data, correspondence, materials, descriptions, documents and records relating to the auction, marketing, sales negotiation or sale of the Purchased Interests, the Companies or the Assets, including the existence or identities of any prospective inquirers, bidders or prospective purchasers of any of the Assets, any bids received from and records of negotiations with any such prospective purchasers and any analyses of such bids by any Person; (b) corporate, financial, Tax, and legal data and records that relate primarily to the businesses of any Affiliate of any Seller other than the Companies, and any Income Tax Returns of Sellers; (c) legal records and legal files of the Companies with respect to or that relate to this Agreement, any Transaction Document or any of their communications prior to the Closing with respect to the transactions contemplated thereby or hereby, including all work product of and attorney-client communications with any Seller’s or any Company’s legal counsel (other than title opinions); and (d) except for any Contracts that exist or are memorialized or stored only in e-mail format (which Contracts shall not be Excluded Records), all e-mails on any of the Company’s servers and networks relating to the Assets or the Excluded Assets and other electronic files on any of the Company’s servers and networks insofar as, and only to the extent, constituting any other Excluded Records.

“Execution Date” has the meaning set forth in the preamble of this Agreement.

“Fee Mineral Interest” has the meaning set forth in the definition of “Assets.”

“Final Closing Statement” has the meaning set forth in Section 2.7(b).

“Final Settlement Date” has the meaning set forth in Section 2.7(a).

“Financial Statements” has the meaning set forth in Section 4.5(a).

“Fundamental Representations” means the representations and warranties of Sellers set forth in Section 3.1, Section 3.2, Section 3.3, Section 3.4(c), Section 3.5, Section 3.7, Section 4.1(a) through (c), Section 4.2(a), Section 4.3, Section 4.4, Section 4.7(c), Section 4.7(d) and Section 4.21.

“GAAP” means generally accepted accounting principles of the United States, as consistently applied.

“Governmental Authority” means any federal, state, municipal, local, foreign or similar governmental authority, regulatory or administrative agency, court or arbitral body.

“Hazardous Material” means (a) any chemical, constituent, material, pollutant, contaminant, substance or waste that is regulated by any Governmental Authority or may form the basis of liability under any Environmental Law due to its hazardous, toxic, dangerous or deleterious properties or characteristics, including those that are defined or classified as “hazardous” or “toxic”, and (b) petroleum or any fraction thereof, Hydrocarbons, petroleum products, radioactive material, urea formaldehyde, asbestos and asbestos-containing materials, radon, toxic mold, per- or polyfluoroalkyl substances, or polychlorinated biphenyls.

“**Hydrocarbons**” means oil and gas and other hydrocarbons (including condensate) produced or processed in association therewith (whether or not such item is in liquid or gaseous form), including all crude oils, condensates and natural gas liquids at atmospheric pressure and all gaseous hydrocarbons (including wet gas, dry gas and residue gas) or any combination of the foregoing, and any minerals produced in association therewith.

“**Income Taxes**” means (a) all Taxes based upon, measured by, or calculated with respect to gross or net income, gross or net receipts or profits (including franchise Taxes and any capital gains, alternative minimum, and net worth Taxes, but excluding ad valorem, property, excise, severance, production, sales, use, New Mexico gross receipts, New Mexico compensating, real or personal property transfer or other similar Taxes), (b) Taxes based upon, measured by, or calculated with respect to multiple bases (including corporate franchise, doing business or occupation Taxes) if one or more of the bases upon which such Tax may be based, measured by, or calculated with respect to is included in clause (a) above, or (c) withholding Taxes measured with reference to or as a substitute for any Tax included in clauses (a) or (b) above.

“**Income Tax Return**” means any Tax Return that relates to Income Taxes.

“**Indemnification Notice**” has the meaning set forth in Section 11.3(a).

“**Indemnified Party**” has the meaning set forth in Section 11.3(a).

“**Indemnifying Party**” has the meaning set forth in Section 11.3(a).

“**Indemnity Claim**” means any claim for indemnification asserted in good faith by Buyer against any Seller pursuant to Section 11.1.

“**Indemnity Deductibles**” has the meaning set forth in Section 11.4(a).

“**Indemnity Escrow**” has the meaning set forth in Section 11.8.

“**Indemnity Escrow Amount**” means, with respect to TWR IV SellCo, the TWR IV SellCo Percentage of (i) the Performance Deposit, *plus* (ii) any and all interest and earnings accrued on the Indemnity Escrow Amount under the Escrow Agreement after the Execution Date as of such date of determination, *minus* (iii) any and all disbursements and distributions of the amounts in clauses (i) and (ii), made after Closing pursuant to Section 11.8.

“**Indemnity Escrow Termination Date**” has the meaning set forth in Section 11.8.

“**Individual Claim Threshold**” has the meaning set forth in Section 11.4(a).

“**Intended Tax Treatment**” has the meaning set forth in Section 7.8(a).

“**Interim Cash Distribution**” has the meaning set forth in Section 2.2(a).

“**Interim Equity Distribution**” has the meaning set forth in Section 2.2(a).

“**IRS**” means the Internal Revenue Service.

“**Knowledge**” means (a) as to each Seller, the actual knowledge (after reasonable inquiry of their direct reports) of the individuals listed on Schedule 1.1(a) and (b) as to the Buyer Parties, the actual knowledge (after reasonable inquiry of their direct reports) of the individuals listed on Schedule 1.1(b).

“**Lands**” has the meaning set forth in the definition of “Assets”.

“**Law**” means any applicable statute, writ, law, constitution, treaty, principle of common law, rule, regulation, ordinance, code, Order, judgment, injunction, determination or decree of a Governmental Authority, in each case as in effect on and as interpreted as of the Execution Date.

“**Liens**” means liens, pledges, options, mortgages, deeds of trust, security interests or other arrangement substantially equivalent thereto.

“**Loss**” or “**Losses**” means any loss, damage, notice of violation, investigation by any Governmental Authority, payment, Taxes, deficiency, injury, harm, detriment, decline or diminution in value, liability, exposure, claim, demand, Proceeding, settlement, judgment, award, fine, penalty, fee, charge, cost or expense (including costs of attempting to avoid or in opposing the imposition of the foregoing, interest, penalties, costs of preparation and investigation, and the fees, disbursements and expenses of attorneys, accountants and other professional advisors).

“**Management Services Agreement**” means that certain Management Services Agreement for Tumbleweed Royalty IV, LLC, effective as of March 24, 2022, by and between TWR IV and Double Eagle Natural Resources, LP, a Texas limited partnership.

“**Material Adverse Effect**” means any circumstance, change or effect that has resulted or would be reasonably expected to result in Losses, liabilities, obligations or costs, or have the effect of reducing the value of the Companies and/or the Assets, by an amount exceeding One Hundred Twenty-Nine Million One Hundred Fifty Thousand Dollars (\$129,150,000), but shall exclude any circumstance, change or effect resulting or arising from: (a) any change in general conditions in the industries or markets in which the Parties operate; (b) seasonal reductions in revenues or earnings of a Party in the ordinary course of their business; (c) any adverse change, event or effect on the global, national or regional energy industry as a whole, including any such change to energy prices or the value of oil and gas assets and properties or other commodities, goods or services, or the availability or costs of hedges; (d) national or international political or economic conditions, including any engagement in hostilities (or escalating or worsening thereof), whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack, labor unrest or strikes, civil unrest or similar disorder, embargoes, sanctions or interruptions of trade; (e) changes in GAAP or the interpretation thereof; (f) the entry into or announcement of this Agreement, any action by a Party that is expressly required or permitted by this Agreement, or the consummation of the transactions contemplated by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer; (g) matters that will be reflected in the determination of the Adjustment Amount; (h) any failure to meet internal or Third Party

projections or forecasts or revenue or earnings or reserve predictions, including as a result of the failure of any Third Party operator or working interest owner to develop all or a portion of any Oil and Gas Asset or any other action taken or failed to be taken by a Third Party operator or owner or working interests with respect to any Oil and Gas Asset; (i) changes or developments in financial or securities markets or the economy in general, including changes generally in supply, demand, price levels or interest or exchange rates; (j) any acts or omissions of Buyer; (k) natural declines in well performance or reclassification or recalculation of reserves in the ordinary course of business consistent with ordinary, prudent and customary practices in the oil and natural gas exploration and production industry; (l) orders, acts or failures to act of any Governmental Authorities and changes in Law or the interpretation thereof; or (m) effects of weather, meteorological events, natural disasters or other acts of God.

“**Material Contracts**” has the meaning set forth in Section 4.12.

“**Membership Interest Assignment Agreements**” means the TWR IV Target Purchased Interest Assignment and TWR IV SellCo Target Purchased Interest Assignment, in each case, substantially in the form attached to this Agreement as Exhibit B.

“**Mineral Proceeds**” means, with respect to each Company: (a) revenues, income, proceeds, receipts, credits and other amounts earned from the sale of Hydrocarbons produced from or allocated or attributable to the Assets of such Company (net of any (i) Third Party royalties, (ii) gathering, processing and transportation costs paid in connection with sales of Hydrocarbons, and (iii) any costs or expenses (other than Taxes) that are deducted by the applicable purchasers of production); and (b) any bonus payments, delay rentals, lease extension payments, shut-in payments and other amounts or income earned with respect to, allocated or attributable to the Oil and Gas Assets of such Company.

“**Nasdaq**” means the Nasdaq Global Select Market.

“**Net Mineral Acre**” means, (a) with respect to a Fee Mineral Interest or NPRI, (i) the number of gross acres of land included in such Fee Mineral Interest or NPRI, as applicable, *multiplied by* (ii) the Companies’ undivided percentage interest in and to the mineral estate (or, with respect to an NPRI, the royalty grantor’s undivided ownership in the mineral estate) of the applicable Target Formation(s) for such Fee Mineral Interest or NPRI, as applicable; and (b) with respect to an ORRI, (i) the number of gross acres of land covered by such ORRI, *multiplied by* (ii) the lessor’s undivided percentage interest ownership in the mineral estate of such ORRI, *multiplied by* (iii) the aggregate undivided interest in such Oil and Gas Lease owned by the lessee of the leasehold estate as to the applicable Target Formation(s) burdened by the applicable ORRI at the time such ORRI was executed, granted, or reserved; provided, however, if subparts (a)(i) or (ii) or subparts (b)(i), (ii), or (iii) of this definition vary as to different Target Formation(s) or geographic areas within any Tract associated with a particular Asset, then a separate calculation shall be performed for each such variance.

“**Net Revenue Interest**” means as to each Well, an interest (expressed as a percentage or decimal fraction) in and to all oil, gas and other Hydrocarbons produced, saved and sold from or allocated to such Well (limited to the applicable currently producing formation or, if not

producing, limited to the permitted depths, and, subject to any reservations, limitations or depth restrictions described on Exhibit A-2, as applicable).

“**Nonparty Affiliates**” has the meaning set forth in Section 12.14.

“**NORM**” has the meaning set forth in Section 12.15.

“**Notice of Disagreement**” has the meaning set forth in Section 2.7(a).

“**Notice Period**” has the meaning set forth in Section 11.3(b).

“**Notices**” has the meaning set forth in Section 12.1.

“**NPRI**” has the meaning set forth in the definition of “Assets.”

“**NRA**” means, as computed as to the aggregate Oil and Gas Assets in a Tract as to each applicable Target Formation set forth on Exhibit A-1, (a) with respect to each Fee Mineral Interest or an NPRI located within a Tract, (i) the number of Net Mineral Acres for such Fee Mineral Interest or NPRI, *multiplied by* (ii) lessor’s royalty percentage under the applicable Oil and Gas Lease, if any, expressed on an 8/8ths basis to the Oil and Gas Lease, *divided by* (iii) 1/8th; (b) with respect to each ORRI, (i) the number of Net Mineral Acres covered by such ORRI, *multiplied by* (ii) the applicable overriding royalty decimal for the applicable ORRI at the time such ORRI was executed, reserved, or granted, expressed on an 8/8ths basis, *divided by* (iii) 1/8th; and (c) with respect to each RAL Interest located with a Tract, (i) the number of gross acres in the Tract, *multiplied by* (ii) lessor’s royalty percentage under the applicable Oil and Gas Lease, if any, expressed on an 8/8ths basis to the Oil and Gas Lease (less any burden reducing the owner of the soil’s right to receive royalty therein), *divided by* (iii) 1/8th. For the purposes of calculating NRA, any Oil and Gas Asset that is not subject to or burdened by an Oil and Gas Lease (or otherwise burdened by or derived from instrument(s) that necessitate a 1/8th royalty for such Oil and Gas Asset) will be deemed to be and treated as though it is subject to an oil and gas lease that provides the lessor thereunder a royalty rate of 25%. If the number of NRAs for any Tract varies as to different Target Formations, a separate calculation shall be performed with respect to each such Target Formation for the purposes of calculating NRAs.

“**Oil and Gas Assets**” has the meaning set forth in the definition of “Assets.”

“**Oil and Gas Lease**” means any oil, gas and mineral leases that relate to the Assets, including all reversionary rights applicable to such Assets, including those described in Exhibit A-1 attached to this Agreement.

“**OpCo Unit**” means a limited liability company interest in Buyer, designated as a “Unit” in Buyer’s Organizational Documents.

“**OpCo Unit Consideration**” has the meaning set forth in Section 2.2(a).

“**OpCo Unit Post-Closing Reference Price**” means, at any specified time after Closing, the 30-day VWAP of a Viper Share ending two Business Days prior to such specified time.

“**OpCo Unit Reference Price**” means \$39.6288 per OpCo Unit.

“**Operating Expenses**” means, with respect to each Company, all operating expenses of such Company attributable to the Assets of such Company in the ordinary course of business, including overhead costs of such Company charged to the Assets consistent with those of such Company as reflected in the applicable Financial Statements and those costs and fees paid in the ordinary course by such Company pursuant to the Management Services Agreement, but excluding Taxes.

“**Order**” means any order, judgment, injunction, ruling, sentence, subpoena, writ or award issued, made, entered or rendered by any court, administrative agency or other Governmental Authority or by any arbitrator.

“**Organizational Documents**” means any charter, certificate of incorporation, articles of association, partnership agreements, limited liability company agreements, bylaws, operating agreement or similar formation or governing documents and instruments.

“**ORRI**” has the meaning set forth in the definition of “Assets.”

“**Other Pre-Closing Working Capital Liabilities**” means the Working Capital Liabilities of the Company as of the Closing Date.

“**Outside Date**” has the meaning set forth in Section 10.1(f).

“**Parent**” has the meaning set forth in the preamble of this Agreement.

“**Parent 8-K**” has the meaning set forth in Section 5.12(b).

“**Parent Financial Statements**” has the meaning set forth in Section 5.12.

“**Parent SEC Documents**” has the meaning set forth in Section 5.12.

“**Party**” and “**Parties**” have the meaning set forth in the preamble of this Agreement.

“**Performance Deposit**” has the meaning set forth in Section 2.2(b).

“**Permits**” means all governmental (whether federal, state, local or tribal) certificates, consents, permits (including conditional use permits), licenses, Orders, authorizations, franchises and related instruments or rights relating to the ownership, operation or use of the Assets.

“**Permitted Encumbrances**” means:

(a) preferential rights to purchase and required Third Party consents to assignment and similar agreements, except, to the extent pertaining to a prior exercise of, breach of, or failure to comply with, the terms thereof by the Company or any predecessor in title, if such prior breach or failure reduces the Company’s NRAs below the amount shown in Exhibit

A-1 for any Tract or the Company's Net Revenue Interest below the amount shown in Exhibit A-2 for any Well, as applicable;

(b) all rights to consent by, required notices to, filings with or other actions by any Governmental Authority in connection with the sale or conveyance of oil and gas interests or sale of production therefrom if the same are customarily obtained subsequent to such sale or conveyance;

(c) Liens for Taxes or assessments not yet delinquent or which are being contested in good faith;

(d) vendors, carriers, warehousemen's, repairmen's, mechanics', workmen's, materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or incident to the construction or improvement of any property, in each case, in respect of obligations not due or not delinquent or which are being contested in good faith by appropriate Proceedings;

(e) easements, rights-of-way, servitudes, Permits, surface leases and other rights in respect of surface operations on or over any of the Oil and Gas Assets which, in each case, do not materially impair the ownership of the Oil and Gas Assets as currently owned;

(f) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the Applicable Contracts, the oil and gas leases affecting the Oil and Gas Assets or in the instruments and documents that create or reserve to the Companies their interest in the Oil and Gas Assets, including specifically the instruments reserving or creating the Oil and Gas Assets and any conveyances of the Oil and Gas Assets, in each case, that (i) do not reduce the Companies' NRAs below the amount shown in Exhibit A-1 for any Tract or the Companies' Net Revenue Interest below the amount shown in Exhibit A-2 for any Well, as applicable, and/or (ii) that do not materially interfere with the ownership of the Asset (as currently owned);

(g) any matter waived in writing by Buyer;

(h) all Liens and encumbrances that are released or discharged prior to Closing;

(i) defects in the chain of title arising from the failure to recite marital status, omissions of successors or heirship or the lack of probate Proceedings;

(j) any defects or irregularities (i) based solely on lack of information in the Companies and/or the Companies' files; (ii) arising out of lack of corporate or other entity authorization, a scrivener's error, or a variation in corporate name unless Buyer provides affirmative evidence that such lack of authority or error results in a Third Party's superior claim of title; (iii) arising out of the lack of recorded powers of attorney from any Person to execute and deliver documents on their behalf; (iv) based on a gap in the chain of title of the Oil and Gas Asset, unless such gap is affirmatively shown to exist in the county records by an abstract of title

or title opinion; (v) reasonably likely to have been cured by possession under applicable statute of limitation or statutes relating to prescription; (vi) based on omissions of successors or heirship, or lack of probate proceedings that have been outstanding for five years or more; or (vii) resulting from lack of survey or failure to record releases of Liens, production payments or mortgages that have expired by their own terms or the enforcement of which are barred by applicable statutes of limitation;

(k) the failure of any Third Party operator to develop all or a portion of any Oil and Gas Asset that does not, individually or in the aggregate, reduce the Companies' NRAs below the amount shown in Exhibit A-1 for any Tract or the Companies' Net Revenue Interest below the amount shown in Exhibit A-2 for any Well, as applicable;

(l) defects or irregularities arising out of the lack of recorded powers of attorney from any Person to execute and deliver documents on behalf of such Person;

(m) all rights reserved to or vested in any Governmental Authority to control or regulate the Assets in any manner;

(n) any limitations (including drilling and operating limitations) imposed on the Oil and Gas Assets by reason of the rights of subsurface owners or operators in a common property (including the rights of coal and timber owners);

(o) any Liens, defects or irregularities of title, if any, affecting the Oil and Gas Assets which (i) would be accepted by a reasonably prudent person engaged in the business of owning mineral interests, royalty interests or overriding royalty interests, or (ii) do not, individually or in the aggregate, reduce the Companies' NRAs below the amount shown in Exhibit A-1 for any Tract or the Companies' Net Revenue Interest below the amount shown in Exhibit A-2 for any Well, as applicable;

(p) any matters specifically described on Exhibit A-1 or Exhibit A-2;

(q) the effect of any pooling agreements, production sharing agreement, production allocation agreement, unit agreement, operating agreement or Contracts affecting the Oil and Gas Assets;

(r) conventional rights of reassignment obligating a Person to reassign its interest in any portion of the Assets;

(s) rights of a common owner of any interest currently held by the Companies and such common owner as tenants in common or through common ownership to the extent that the same does not, individually or in the aggregate, reduce the Companies' NRAs below the amount shown in Exhibit A-1 for any Tract or the Companies' Net Revenue Interest below the amount shown in Exhibit A-2 for any Well, as applicable;

(t) failure of the records of any Governmental Authority to reflect the Companies as the owner(s) of any Asset, provided that the instruments evidencing the

conveyance of such title to the Companies from their immediate predecessor in title are recorded in the real property, conveyance, or other records of the applicable county;

(u) delay or failure of any Governmental Authority to approve the assignment of any Oil and Gas Assets to the Companies or any predecessor in title to the Companies unless such approval has been expressly denied or rejected in writing by such Governmental Authority;

(v) the terms and conditions of this Agreement, any other Transaction Document, any Applicable Contract and any agreement or instrument that is executed or delivered and that is expressly required or contemplated by this Agreement;

(w) any defects based on a gap in the Companies' chain of title in any federal, state or Native American files as long as the gap is not reflected in the real property records of the county in which the affected Oil and Gas Asset(s) are located;

(x) other than with respect to any RAL Interest, the lack of executive rights in any of the Lands;

(y) defects as a consequence of cessation of production, insufficient production, or failure to conduct operations during any period after the completion of a well capable of production in paying quantities on any of the Oil and Gas Assets held by production, or lands pooled, communitized or unitized therewith, except to the extent the cessation of production, insufficient production, or failure to conduct operations is such that it has given rise to a right of the lessor or other Third Party to terminate the underlying lease;

(z) defects based on the inability of the Companies to locate an unrecorded instrument of which Buyer has constructive or inquiry notice by virtue of a reference to such unrecorded instrument in a recorded instrument, if no claim has been made under such unrecorded instruments within the last ten (10) years;

(aa) any Liens, defects, burdens or irregularities arising out of, or related to, the existence (at any time prior to, on or after the Effective Time) of any waterway (whether navigable or otherwise) located on, under, abutting, touching, crossing or otherwise affecting any Asset;

(bb) any Liens, defects, burdens or irregularities applicable to, arising with respect to or otherwise solely affecting any depth or formation other than the applicable Target Formation;

(cc) lessor's royalties and any overriding royalties, reversionary interests, payments out of production, net profits interests and other burdens to the extent they do not, individually or in the aggregate, reduce the Companies' NRA in a Tract below that identified on Exhibit A-1;

(dd) defects due to the establishment or amendment of pools or units;

(ee) as to any overriding royalty interest, Liens created under deeds of trust, mortgages or similar instruments by the lessor under an oil and gas lease covering the lessor's surface and mineral interest to the extent such instrument does not prohibit lessor from entering into the oil and gas lease and no mortgagee or lienholder of any such deed of trust, mortgage or similar instruments has initiated foreclosure or similar proceedings;

(ff) any encumbrance, defect, charge or other burden arising by the election, or deemed election, of the applicable lessee or respondent of any Oil and Gas Lease or Order burdening the applicable Asset or from which the applicable Asset is derived, as applicable, not to participate in the drilling or development of any oil or gas well located on (or attributable to) the lands covered by such Oil and Gas Lease or Order;

(gg) any encumbrance, defect, charge or other burden arising by the failure to obtain verification of identity of people in a class, heirship, or intestate succession;

(hh) all applicable Laws (including zoning and planning ordinances and municipal regulations) and rights reserved to or vested in any Governmental Authority to control or regulate, in whole or in part, any of the Oil and Gas Assets in any manner, and all obligations and duties under all applicable laws, rules, and Orders of any such Governmental Authority or under any grant or Permit issued by any such Governmental Authority;

(ii) Third Party recorded documents that would be deemed fraudulent by a reasonably prudent person engaged in the business of owning mineral interests, royalty interests or overriding royalty interests;

(jj) the treatment or classification of mineral interests as working interest due to forced pooling by a Governmental Authority;

(kk) the treatment or classification of any horizontal well as an allocation well that crosses more than one Oil and Gas Lease or leasehold tract, including (i) the failure of such Oil and Gas Leases or leasehold tracts as to such well to be governed by a common pooling or unit agreement, or subject to a production sharing agreement or similar agreement, whether in whole or in part, or failure of the Oil and Gas Lease to contain pooling provisions or contain adequate pooling provisions, or the absence of any lease amendment or consent authorizing the pooling of such interests, and (ii) the allocation of Hydrocarbons produced from such well among such Oil and Gas Leases or leasehold tracts based upon the length of the "as drilled" horizontal wellbore open for production, the total length of the horizontal wellbore, or other methodology that is intended to reasonably attribute to each such Oil and Gas Lease or leasehold tract its share of production;

(ll) insufficient or incomplete rights to access the surface of any Tract on or under which an Oil and Gas Asset is located; and

(mm) all other Liens, contracts, agreements, instruments, obligations and irregularities affecting the Oil and Gas Assets which, individually or in the aggregate, (i) do not materially interfere with the ownership or use of any of the Oil and Gas Assets (as currently

operated and used), (ii) do not operate to reduce the number of NRAs in the Target Formation(s) of the Oil and Gas Assets located within a Tract to less than the number of NRAs set forth in the applicable column and row for such Tract on Exhibit A-1 and (iii) do not operate to reduce the Net Revenue Interest in the Target Formation(s) of the Wells to less than the Net Revenue Interest set forth in the applicable column and row for such Well on Exhibit A-2.

“Permitted Seller Securities Lien” means (a) any transfer restrictions imposed by federal and state securities Laws, (b) any Liens imposed in any of the Organizational Documents of the Applicable Company, (c) Liens created by this Agreement, (d) Liens that arise solely out of any actions taken by Buyer or its Affiliates or taken on Buyer’s behalf by Buyer’s Representatives or by any other Person at the request of Buyer or its Affiliates and (e) Liens that are fully released from the Purchased Interests as of Closing without cost, expense or penalty to Buyer or any of its Affiliates (including, from and after Closing, the Companies).

“Person” means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other entity of any kind.

“Post-Effective Time Asset Taxes” means, with respect to each Company, all Asset Taxes of such Company attributable to any Post-Effective Time Period (determined in accordance with Section 7.2).

“Post-Effective Time Period” means, solely with respect to any Asset Taxes, any Tax period (or a portion of any Straddle Period) beginning at or after the Effective Time.

“Pre-Closing Tax Period” means, solely with respect to any Income Taxes, any Tax period (or a portion of any Straddle Period) ending on or before the Closing Date.

“Pre-Effective Time Asset Taxes” means, with respect to each Company, all Asset Taxes of such Company attributable to any Pre-Effective Time Tax Period (determined in accordance with Section 7.2).

“Pre-Effective Time Tax Period” means, solely with respect to any Asset Taxes, any Tax period (or a portion of any Straddle Period) ending before the Effective Time.

“Proceeding” means any action, suit, litigation, arbitration, lawsuit, claim, proceeding, hearing, inquiry, investigation or dispute commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or any arbitrator.

“Purchase Price” has the meaning set forth in Section 2.2.

“Purchased Interests” has the meaning set forth in the preamble of this Agreement.

“RAL Interests” has the meaning set forth in the definition of “Assets.”

“Records” means originals (if available, and otherwise copies) and electronic copies (if available) of all books, records, files, muniments of title, reports and similar documents and

materials to the extent relating to the Purchased Interests, the Companies, and/or the Assets, including: land, title and division of interest files; contracts; check stubs, financial and accounting records; and records related to the management of the Oil and Gas Assets prior to the Closing Date, other than items that are not transferable without payment by Sellers of additional consideration (and Buyer has not agreed in writing to pay such additional consideration), in each case, other than the Excluded Records.

“**Redemption Right**” has the meaning set forth in Section 11.8.

“**Reference Balance Sheet**” has the meaning set forth in Section 4.7.

“**Registration Rights Agreement**” means a registration rights agreement substantially in the form attached to this Agreement as Exhibit D.

“**Relevant Area**” has the meaning set forth in Section 5.8.

“**Representatives**” means a Person’s directors, officers, partners, members, managers, employees, agents or advisors (including attorneys, accountants, consultants, bankers, financial advisors and any representatives of those advisors).

“**Required Consent**” means a consent requirement that would be triggered by the purchase and sale of an Oil and Gas Asset and expressly provides that transfer of such Oil and Gas Asset without such consent will result in (a) termination of the owner’s existing rights in relation to such Oil and Gas Asset, or (b) the transfer being null and void as to such Oil and Gas Asset; provided, however, that any consent which by its terms cannot be unreasonably withheld, shall not constitute a Required Consent.

“**Second A&R Exchange Agreement**” means the Second Amended and Restated Exchange Agreement, by and among the Buyer Parties, Diamondback, and TWR IV, substantially in the form attached to this Agreement as Exhibit F.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Seller**” or “**Sellers**” has the meaning set forth in the preamble of this Agreement.

“**Seller Closing Certificate**” has the meaning set forth in Section 2.6(a)(iv).

“**Seller Combined Group**” means any Combined Group for Income Tax purposes of which each of (a) any Company and (b) any Seller or an Affiliate of such Seller (other than any Company), is or was a member on or prior to the Closing Date.

“**Seller Combined Group Return**” means any Tax Return of a Seller Combined Group for which a Seller or an Affiliate of such Seller (other than any Company) is the reporting entity.

“**Seller Entitlements**” has the meaning set forth in Section 2.11(a).

“**Seller Indemnified Parties**” has the meaning set forth in Section 11.2.

“**Seller Releasing Group**” has the meaning set forth in Section 11.9(a).

“**Seller Tax Contest**” has the meaning set forth in Section 7.7(a).

“**Seller Taxes**” means, without duplication, and with respect to each Seller, any and all (a) Income Taxes imposed by any applicable Laws on such Seller, (b) Pre-Effective Time Asset Taxes of the Applicable Company allocable to such Seller pursuant to Section 7.2 (taking into account, and without duplication of, (i) such Asset Taxes effectively borne by such Seller as a result of the adjustments made pursuant to Section 2.3, Section 2.4 and Section 2.7, as applicable, and (ii) any payments made from one Party to the other in respect of Asset Taxes pursuant to Section 7.1(b) or Section 7.2(c)), (c) any Taxes (other than Asset Taxes) assumed or succeeded by the Applicable Company as a transferee or successor for any taxable period ending before the Closing Date, or imposed on a consolidated, combined, or unitary group of which the Applicable Company (or any predecessor of such Company) is or was a member on or prior to the Closing Date by reason of Treasury Regulations Section 1.1502-6(a) or any analogous or similar state or local law, (d) any Taxes resulting from or attributable to the Company Reorganization and (e) any Taxes resulting from or attributable to the distribution by TWR IV of all of its Equity Interest in TWR IV SellCo to certain holders of the Equity Interests in TWR IV.

“**Specified Representations**” has the meaning set forth in Section 11.4(a).

“**Straddle Period**” means (a) with respect to any Income Tax, any Tax period beginning before and ending on or after the Closing Date, and (b) with respect to any Asset Tax, any Tax period beginning before and ending after the Effective Time.

“**Straddle Period Tax Contest**” has the meaning set forth in Section 7.7(b).

“**Subject Marks**” has the meaning set forth in Section 6.8.

“**Subsidiary**” means, with respect to any Person, any corporation, partnership, limited liability company or other entity of which a majority of the shares of capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other similar managing body of such corporation, partnership, limited liability company or other entity are owned directly or indirectly by such Person.

“**Target Formations**” means, with respect to each Tract, the depths and geographic formation(s) specified for such Tract on Exhibit A-1.

“**Tax Return**” means any report, return, estimated tax filing, declaration, claim for refund, information returns or other filing filed or required to be filed with any Governmental Authority with respect to Taxes, including any schedules or attachments thereto and any amendment thereof.

“**Taxes**” (and its derivatives) means all U.S. federal, state or local, non-U.S. and other taxes imposed by a Governmental Authority, including all income, franchise, profits, margins, capital gains, capital stock, transfer, gross receipts, sales, use, service, occupation, ad valorem,

real or personal property, excise, severance, windfall profits, customs, premium, stamp, license, payroll, employment, social security, unemployment, disability, environmental, alternative minimum, add-on, value-added and withholding taxes, fees, assessments, and similar governmental charges in the nature of a tax, and including additions to tax, penalties and interest with respect to any of the foregoing (whether disputed or not).

“**Third A&R Buyer LLCA**” means the Third Amended and Restated Limited Liability Company Agreement of Buyer, substantially in the form attached to this Agreement as Exhibit E.

“**Third Party**” means any Person other than a Party or an Affiliate of a Party.

“**Third Party Claim**” has the meaning set forth in Section 11.3(b).

“**Title Defect**” means any Lien, encumbrance, obligation, burden or defect (other than a Permitted Encumbrance) that causes the Company to not have Defensible Title to the Oil and Gas Asset.

“**Title Defect Amount**” has the meaning set forth in Section 9.2.

“**Tract**” means the tracts or parcels of the Lands identified on Exhibit A-1.

“**Transaction Costs**” means, with respect to each Company, (a) all investment banking, accountant, attorney, consultant and other advisor’s expenses, fees and costs and similar transaction fees and expenses, in each case, incurred prior to the Closing Date by such Company in connection with the preparation for, negotiation or consummation of the transactions contemplated by this Agreement and the other Transaction Documents, (b) any assignment or change in control payments or prepayment premiums, penalties, charges or similar fees or expenses that are binding on the Company or the holders of the Purchased Interests prior to Closing that are required to be paid at the time of, or the payment of which would become due and payable as a result of the execution and delivery of this Agreement or any other Transaction Document and/or the consummation of the transactions contemplated hereby or thereby at the Closing and (c) any costs and expenses paid or payable in connection with the Company Reorganization.

“**Transaction Documents**” has the meaning set forth in Section 12.5.

“**Transfer Taxes**” has the meaning set forth in Section 7.3.

“**TWR IV**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV Base Cash Amount**” means \$185,154,858.85.

“**TWR IV Base OpCo Unit Amount**” means 10,093,670 OpCo Units.

“**TWR IV Closing Negative Adjustment**” has the meaning set forth in the definition of “TWR IV Closing Payment.”

“**TWR IV Closing Payment**” equals (a) the TWR IV Base Cash Amount *minus* (b)(i) the Performance Deposit *multiplied by* (ii) the TWR IV Percentage, *plus* or *minus*, as applicable, (c) the Estimated Adjustment Amount for TWR IV Target; provided, however, that if this formula would result in the TWR IV Closing Payment being less than zero, then the TWR IV Closing Payment shall be zero and the amount by which the TWR IV Closing Payment is less than zero shall be the “**TWR IV Closing Negative Adjustment**”.

“**TWR IV Closing Unit Amount**” means (a) the TWR IV Base OpCo Unit Amount *minus* (b) if there is a TWR IV Closing Negative Adjustment, a number of OpCo Units equal to (i) the TWR IV Closing Negative Adjustment, *divided by* (ii) the OpCo Unit Reference Price *plus* (c) if there is any Interim Cash Distribution or an Interim Equity Distribution, such amount of additional OpCo Units calculated in accordance with Section 2.2(a).

“**TWR IV Indemnity Deductible**” has the meaning set forth in Section 11.4(a).

“**TWR IV Percentage**” means 67.9622%.

“**TWR IV Purchased Interests**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV SellCo**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV SellCo Base Purchase Price**” means \$275,845,141.15.

“**TWR IV SellCo Closing Payment**” equals (a) the TWR IV SellCo Base Purchase Price *minus* (b)(i) the Performance Deposit *multiplied by* (ii) the TWR IV SellCo Percentage, *plus* or *minus*, as applicable, (c)(i) the Estimated Adjustment Amount for TWR IV SellCo Target.

“**TWR IV SellCo Indemnity Deductible**” has the meaning set forth in Section 11.4(a).

“**TWR IV SellCo Percentage**” means 32.0378%.

“**TWR IV SellCo Purchased Interests**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV SellCo Target**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV SellCo Target Purchased Interest Assignment**” means the Membership Interest Assignment Agreement, by and between TWR IV SellCo and Buyer, substantially in the form attached to this Agreement as Exhibit B.

“**TWR IV Target**” has the meaning set forth in the preamble of this Agreement.

“**TWR IV Target Purchased Interest Assignment**” means the Membership Interest Assignment Agreement, by and between TWR IV and Buyer, substantially in the form attached to this Agreement as Exhibit B.

“**Viper Share**” means one share of Class A common stock, par value \$0.000001, of Parent.

“**Well**” has the meaning set forth in the definition of “Assets”.

“**Working Capital Liabilities**” means, with respect to each Company, the current liabilities of such Company as of the Closing Date (including any indebtedness for borrowed money, whether or not current), each determined in accordance with GAAP but excluding any (a) Tax liabilities, (b) Transaction Costs, (c) liabilities related to the Excluded Assets and (d) Operating Expenses, in each case, of such Company.

“**WTI 2025 Average**” means, for the 2025 calendar year, the arithmetic average of the daily settlement price for the West Texas Intermediate (WTI) light sweet crude oil prompt Month futures contract reported as “CL1 Commodity” by Bloomberg (or if Bloomberg no longer publishes such amount, by EIA) from January 1, 2025 to December 31, 2025, excluding weekends, holidays or any other non-trading days.

1.2 **Rules of Construction.** All article, section, schedule and exhibit references used in this Agreement are to articles and sections of, and schedules and exhibits to, this Agreement unless otherwise specified. The schedules and exhibits attached to this Agreement constitute a part of this Agreement and are incorporated in this Agreement for all purposes. If a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb). Terms defined in the singular have the corresponding meanings in the plural, and vice versa. Unless the context of this Agreement clearly requires otherwise, words importing the masculine gender shall include the feminine and neutral genders and vice versa. The term “includes” or “including” shall mean “including without limitation.” The words “hereof,” “hereto,” “hereby,” “herein,” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular section or article in which such words appear. The disjunctive word “or” is used in its inclusive sense unless otherwise specifically indicated. The word “or” means and includes “and/or” unless the context otherwise clearly indicates that the usage is meant to be exclusive. The Parties acknowledge that each Party and its attorney have reviewed this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party, or any similar rule operating against the drafter of an agreement, shall not be applicable to the construction or interpretation of this Agreement. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement. References to any agreement or other document or instrument are to such agreement, document or instrument as amended, modified, superseded, supplemented and restated now or from time to time after the Execution Date, unless otherwise specified. All references to currency in this Agreement shall be to, and all payments required under this Agreement shall be paid in, Dollars. Any financial or accounting term that is not otherwise defined in this Agreement shall have the meaning given such term under GAAP.

ARTICLE 2
Purchase and Sale; Closing

2.1 **Purchase and Sale.** Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (a) TWR IV shall sell, assign, transfer and convey to Buyer, and Buyer shall purchase and acquire, the TWR IV Purchased Interests and (b) TWR IV SellCo shall sell, assign, transfer and convey to Buyer, and Buyer shall purchase and acquire, the TWR IV SellCo Purchased Interests, in each case free and clear of all Liens (other than Permitted Seller Securities Liens).

2.2 **Purchase Price; Performance Deposit.**

(a) In consideration for the purchase of the Purchased Interests, Buyer agrees to pay and issue aggregate consideration deemed to be equal to (i) \$861,000,000 (the “**Base Purchase Price**”), as adjusted by the Adjustment Amount and the other provisions of this Agreement (the Base Purchase Price as so adjusted, the “**Purchase Price**”) and (ii) the payments, if any, required under Section 2.10 below. The portion of the adjusted Base Purchase Price received by TWR IV in respect of the TWR IV Purchased Interests shall consist of cash and OpCo Units (the OpCo Units to be issued at Closing pursuant to this Agreement, the “**OpCo Unit Consideration**”), and the portion of the adjusted Base Purchase Price received by TWR IV SellCo in respect of the TWR IV SellCo Purchased Interests shall consist of cash, in each case as set forth in this Agreement. If at any time on or after the Execution Date and prior to the Closing, (i) Buyer makes or declares any (A) dividend or distribution of, or payable in, OpCo Units (an “**Interim Equity Distribution**”), (B) subdivision or split of any OpCo Units, (C) combination or reclassification of any OpCo Units, into a smaller number of units of such applicable OpCo Units, or (D) issuance of any securities by reclassification of such OpCo Units (including any reclassification in connection with a merger, consolidation or business combination in which Parent or any acquirer, as applicable, is the surviving Person) or (ii) any merger, consolidation, combination or other transaction is consummated pursuant to which OpCo Units are converted to cash or other securities, then the number of applicable OpCo Units shall be proportionately adjusted, including, for the avoidance of doubt, in the cases of clauses (i)(C) and (ii) to provide for the receipt by TWR IV, in lieu of any OpCo Units of the same number or amount of cash and/or securities as is received in exchange for each OpCo Unit in connection with any such transaction described in clauses (i)(C) and (ii) hereof; provided, however, that in the event of any Interim Equity Distribution paid or declared pursuant to subclause (i)(A), such amounts in respect of such Interim Equity Distribution paid or declared shall be treated as an upward adjustment to the TWR IV Base OpCo Unit Amount. If Buyer makes or declares any cash dividend or distribution on OpCo Units in respect of any fiscal quarter ending on or after September 30, 2024, and the record date for such dividend or distribution is after the Execution Date but prior to the Closing Date (each, an “**Interim Cash Distribution**”), then the number of OpCo Units to be issued at Closing shall be increased by (1) the number of OpCo Units issuable at Closing without taking into account such Interim Cash Distribution, *multiplied by* (2) such Interim Cash Distribution paid or to be paid in respect of each OpCo Unit outstanding on such record date, and *divided by* (3) the OpCo Unit Reference Price, *provided, however*, that such amounts in respect of such Interim Cash Distribution paid or declared shall be treated as an

upward adjustment to the TWR IV Base OpCo Unit Amount. An adjustment made pursuant to the foregoing shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, split, combination or reclassification. Notwithstanding anything to the contrary contained herein, no certificates or scrip representing fractional interests of OpCo Units shall be issued as part of the OpCo Unit Consideration, no dividend or distribution with respect to the OpCo Units shall be payable on or with respect to any fractional interests and such fractional interests shall not entitle the owner thereof to vote or to any other rights of an equityholder of Buyer. In lieu of the issuance of any such fractional interest, at Closing, Buyer shall pay to TWR IV an amount in cash determined by *multiplying* (x) the OpCo Unit Reference Price by (y) the fraction of a unit of OpCo Unit Consideration to which TWR IV would otherwise be entitled to receive pursuant hereto.

(b) No later than two Business Days after the Execution Date, Buyer shall deliver to the Escrow Agent by wire transfer of immediately available funds in accordance with the Escrow Agreement, an amount equal to 5% of the Base Purchase Price (the “**Performance Deposit**”). At Closing, (i) an amount equal to the TWR IV SellCo Percentage of the Performance Deposit (together with any accrued interest) shall be applied as a credit towards the cash consideration to be paid and shall be retained as the Indemnity Escrow in accordance with Section 11.8 and (ii) the Parties shall jointly instruct the Escrow Agent to distribute an amount equal to the TWR IV Percentage of the Performance Deposit (together with any accrued interest) to TWR IV. If this Agreement is terminated without a Closing, then the Parties shall jointly instruct the Escrow Agent to distribute the Performance Deposit (together with any accrued interest) to Buyer or the Sellers as provided in Section 10.3.

2.3 **Adjustments.** The Base Purchase Price shall be adjusted as follows, with respect to each Company as follows, without duplication (it being understood that the adjustments with respect to each Company shall be made and allocated separately to the portion of the Base Purchase Price allocated to such Company as set forth in Section 2.2 and Section 2.7, as applicable):

(a) decreased or increased with respect to Operating Expenses and Other Pre-Closing Working Capital Liabilities as follows:

(i) decreased by an amount equal to the sum of (A) all Operating Expenses of such Company attributable to periods prior to the Effective Time that are paid by Buyer after the Closing Date *plus* (B) all Operating Expenses of such Company attributable to periods prior to the Effective Time that are paid or payable by such Company on or after the Closing Date;

(ii) increased by an amount equal to the sum of (A) all Operating Expenses of such Company attributable to periods from or after the Effective Time that are paid by Seller *plus* (B) all Operating Expenses of such Company attributable to periods from or after the Effective Time that are paid by such Company before or at Closing (provided that Operating Expenses calculated in accordance with this clause (B) shall not exceed \$400,000 per month (prorated for

any partial month) for the period from the Effective Time through the Closing Date);

(iii) decreased by an amount equal to all Other Pre-Closing Working Capital Liabilities of such Company that are paid or payable by the Buyer or such Company on or after the Closing;

(b) decreased or increased with respect to Mineral Proceeds as follows:

(i) decreased by an amount equal to the aggregate amount of all Mineral Proceeds received by such Company or its Seller before or at the Closing attributable to periods from and after the Effective Time;

(ii) increased by an amount equal to the aggregate amount of all Mineral Proceeds received after Closing by Buyer or such Company (and not otherwise distributed or remitted to its Seller) attributable to periods before the Effective Time (without duplication of any amounts attributable to the Cash Amount of such Company);

(c) increased by an amount equal to the Cash Amount of such Company as of 12:01 a.m. Central Time on the Closing Date;

(d) decreased by an amount equal to the total of all Transaction Costs of such Company, that are paid or payable by the Buyer or the Company on or after the Closing;

(e) increased by an amount equal to all Post-Effective Time Asset Taxes of such Company paid or otherwise economically borne by such Company before or at the Closing, or by the Seller of such Company or any Affiliate of such Seller at any time;

(f) decreased by an amount equal to all Pre-Effective Time Asset Taxes of such Company paid or otherwise economically borne by such Company after Closing (or owed by such Company at the Closing), or by Buyer or any Affiliate of Buyer at any time; and

(g) increased or decreased, as applicable, by any other amount expressly provided for elsewhere in this Agreement or as otherwise agreed upon in writing by Sellers and Buyer.

As used in this Agreement, “**Adjustment Amount**” with respect to each Company refers to the aggregate sum of the adjustments provided in Section 2.3(a) through (g) for such Company, which may be a positive or negative number.

2.4 Closing Statement. Not later than five (5) Business Days prior to the Closing Date, Sellers shall prepare and deliver to Buyer a statement (the “**Closing Statement**”) setting forth for each Seller and its Applicable Company each adjustment to the Closing payments and issuances required under this Agreement as to such Seller and its Applicable Company and showing the calculation of the Adjustment Amount for such Applicable Company (using actual numbers and amounts where available, and using a good faith estimate of other amounts, where

actual amounts are not available) (with respect to each Company, such amount, the “**Estimated Adjustment Amount**”) and the resulting TWR IV Closing Payment, TWR IV Closing Unit Amount, and TWR IV SellCo Closing Payment as determined by Sellers. Any final adjustments to the Purchase Price, if necessary, will be made pursuant to Section 2.7. In the event the Parties do not agree on an adjustment set forth in the Closing Statement prior to the Closing, the amount of such adjustment set forth in the Closing Statement as presented by Sellers will be used to adjust the Purchase Price at Closing.

2.5 **Closing.** Unless otherwise agreed by the Parties, the closing of the sale and transfer of the Purchased Interests to Buyer as contemplated by this Agreement (the “**Closing**”) shall take place remotely and electronically on October 1, 2024, or if all conditions to Closing under Section 8.1 and Section 8.2 have not yet been satisfied or waived, on the third Business Day following the date such conditions have been satisfied or waived (the date on which the Closing occurs, the “**Closing Date**”); provided that, if the Parties agree that the Closing will take place in-person, then the Closing shall be at such location as agreed by the Parties in writing.

2.6 **Closing Obligations.** At the Closing:

(a) Sellers shall deliver (and execute and acknowledge, as appropriate), or cause to be delivered (and executed and acknowledged, as appropriate), to Buyer:

(i) an executed counterpart of the Closing Statement;

(ii) a counterpart of the TWR IV Target Purchased Interest Assignment, duly executed by TWR IV;

(iii) a counterpart of the TWR IV SellCo Target Purchased Interest Assignment, duly executed by TWR IV SellCo;

(iv) certificate(s) executed by an officer or authorized Representative of each Seller (“**Seller Closing Certificate**”), certifying on behalf of such Seller that the conditions to Closing set forth in Section 8.1(a) have been fulfilled;

(v) an executed IRS Form W-9 of each Seller (or if any such Seller is disregarded as an entity separate from another Person that is not disregarded for U.S. federal income Tax purposes, such other Person);

(vi) an Excluded Asset Assignment from each Company to its Seller, or one or more of its designees, duly executed by such Company and its Seller (or its designee);

(vii) in the case of TWR IV, an executed counterpart of the Third A&R Buyer LLCA;

(viii) in the case of TWR IV, an executed counterpart of the Second A&R Exchange Agreement;

- (ix) in the case of TWR IV, an executed counterpart of the Class B Common Stock Option Agreement;
 - (x) in the case of TWR IV, an executed counterpart of the Registration Rights Agreement; and
 - (xi) such other documents or other agreements contemplated by this Agreement.
- (b) Buyer shall deliver (and execute and acknowledge, as appropriate) to Sellers:
- (i) an executed counterpart of the Closing Statement;
 - (ii) a certificate executed by an officer of Buyer (“**Buyer Closing Certificate**”), certifying on behalf of Buyer that the conditions to Closing set forth in Section 8.2(a) have been fulfilled; and
 - (iii) such other documents or other agreements contemplated by this Agreement.
- (c) Buyer shall deliver (and execute and acknowledge, as appropriate) to TWR IV SellCo:
- (i) an executed counterpart of the TWR IV SellCo Target Purchased Interest Assignment; and
 - (ii) the TWR IV SellCo Closing Payment in cash by wire transfer of immediately available funds to an account designated by TWR IV SellCo.
- (d) Buyer and/or Parent shall deliver (and execute and acknowledge, as appropriate) to TWR IV:
- (i) an executed counterpart of the TWR IV Target Purchased Interest Assignment;
 - (ii) evidence of the issuance of the TWR IV Closing Unit Amount in book-entry form in the name of TWR IV;
 - (iii) the TWR IV Closing Payment in cash by wire transfer of immediately available funds to an account designated by TWR IV;
 - (iv) an executed counterpart of the Third A&R Buyer LLCA;
 - (v) an executed counterpart of the Second A&R Exchange Agreement;

- (vi) an executed counterpart of the Class B Common Stock Option Agreement; and
- (vii) an executed counterpart of the Registration Rights Agreement.

2.7 Post-Closing Adjustment.

(a) Revised Closing Statement; Dispute Notices. On or before the date that is no later than 90 days after the Closing Date, Sellers shall prepare and deliver to Buyer a revised Closing Statement setting forth the final Adjustment Amount for each Company as of the Closing Date. Buyer shall provide to Sellers such data and information as Sellers may reasonably request in connection with the calculation of the amounts reflected on the revised Closing Statement, including check stubs and access to Third Party data services for electronic check stub information, such as PDF files, Excel spreadsheets, JIBLink, OILDEX, PDS or similar file formats. The revised Closing Statement shall, without limiting the application of Section 7.2(c), become final and binding upon the Parties on the date (the “**Final Settlement Date**”) that is 30 days following receipt Buyer’s receipt of the revised Closing Statement unless Buyer gives notice of its disagreement (“**Notice of Disagreement**”) to Sellers prior to such date. During such 30-day period, Buyer shall be given reasonable access, during normal business hours and so as not to otherwise unreasonably interfere with such Seller’s business, to each Seller’s books and records relating to the matters required to be accounted for in the Closing Statement, in each case, solely for the purpose of reviewing information with respect the Closing Statement, and solely to the extent that Sellers may provide such information without (i) violating any Laws or breaching any contracts, (ii) waiving any legal privilege (as reasonably determined by Sellers’ counsel) of any Seller or their Affiliates or (iii) violating any confidentiality obligations of any Seller or any Seller Indemnified Party. Any Notice of Disagreement shall specify in reasonable detail the Dollar amount, nature and basis of any disagreement so asserted. If a Notice of Disagreement is received by Sellers before the Final Settlement Date, then the Closing Statement (as revised in accordance with Section 2.7(b)) shall, without limiting the application of Section 7.2(c), become final and binding on the Parties on, and the Final Settlement Date shall be, the earlier of (A) the date upon which Sellers and Buyer agree in writing with respect to all matters specified in the Notice of Disagreement or (B) the date upon which the Closing Statement Accountant renders a decision in accordance with Section 2.7(b).

(b) Dispute Resolution; Final Closing Statement. During the 15 days following the date upon which Sellers receives a Notice of Disagreement, Sellers and Buyer shall in good faith attempt to resolve in writing any differences that they may have with respect to all matters specified in the Notice of Disagreement. If at the end of such 15-day period (or earlier by mutual agreement), Buyer and Sellers have not reached agreement on such matters, the matters that remain in dispute (and only such matters) shall promptly be submitted to KPMG LLP, or if KPMG LLP declines to act in such capacity, by another nationally recognized firm of independent accountants that does not have a material relationship with any Party or its affiliates and that is reasonably acceptable to Buyer (the “**Closing Statement Accountant**”) for review and final and binding resolution. If the proposed Closing Statement Accountant is unable or

unwilling to serve as provided in this Agreement, then Sellers and Buyer shall, in good faith, mutually agree upon an alternative independent national accounting firm to serve as the Closing Statement Accountant. Buyer and Sellers shall, not later than seven days prior to the hearing date set by the Closing Statement Accountant, each submit a written brief to the Closing Statement Accountant (and provide a copy of such brief to the other Party on the same day) with Dollar figures for settlement of the disputes as to the amount of the final Adjustment Amount (together with a proposed Closing Statement that reflects such figures) consistent with their respective calculations reflected in the revised Closing Statement and Notice of Disagreement, as applicable. The hearing will be scheduled as promptly as practicable following submission of the settlement briefs, and shall be conducted in English on a confidential basis. The Closing Statement Accountant shall consider only those items or amounts in the Closing Statement which were identified in the Notice of Disagreement and which remain in dispute and the Closing Statement Accountant's decision resolving the matters in dispute shall be based upon and be consistent with the terms and conditions in this Agreement, and not on the basis of independent review. In deciding any matter, the Closing Statement Accountant (i) shall be bound by the provisions of this Section 2.7 and the related definitions and (ii) shall choose either Sellers' position or Buyer's position with respect to each matter addressed in a Notice of Disagreement. The Closing Statement Accountant shall render a decision resolving the matters in dispute (which decision shall include a written statement of findings and conclusions) promptly after the conclusion of the hearing, unless the Parties reach agreement prior to such conclusion and withdraw the dispute from the Closing Statement Accountant. The Closing Statement Accountant shall provide to the Parties explanations in writing of the reasons for its decisions regarding the final Adjustment Amount and shall issue the Final Closing Statement reflecting such decision. The decision of the Closing Statement Accountant, other than with respect to any clear and manifest mathematical errors, shall, without limiting the application of Section 7.2(c), be final and binding on the Parties and non-appealable for all purposes under this Agreement. The cost of any arbitration (including the fees and expenses of the Closing Statement Accountant) under this Section 2.7(b) shall be borne proportionately by Sellers, on the one hand, and Buyer on the other hand, based on the difference between the claimed adjustments in the Notice of Disagreement and the final Adjustment Amount. For example, if Buyer claims the final aggregate net adjustments to the Base Purchase Price is \$1,000 greater than the amount determined by Seller, and Sellers contests only \$500 of the amount claimed by Buyer, and if the Closing Statement Accountant ultimately resolves the dispute by awarding Sellers \$300 of the \$500 contested, then the costs and expenses of the independent accounting firm will be allocated 60% (i.e., $300 \div 500$) to Buyer and 40% (i.e., $200 \div 500$) to Sellers. The fees and disbursements of Sellers' independent auditors and other costs and expenses incurred in connection with the services performed with respect to the Closing Statement shall be borne by Sellers and the fees and disbursements of Buyer's independent auditors and other costs and expenses incurred in connection with their preparation of the Notice of Disagreement shall be borne by Buyer. As used in this Agreement, the term "**Final Closing Statement**" shall mean the revised Closing Statement described in Section 2.7(a), as prepared by Sellers and as may be subsequently adjusted to reflect any subsequent written agreement between the Parties with respect to the Final Closing Statement, or if submitted to the Closing Statement Accountant, as determined by the Closing Statement Accountant in accordance with this Section 2.7(b).

(c) Final Settlement.

(i) If the final Adjustment Amount for any Company, as set forth on the Final Closing Statement, exceeds the amount of the Estimated Adjustment Amount of such Company included in the Closing Statement, then, within three Business Days after the issuance of the Final Closing Statement, Buyer shall pay to such Company's Seller by wire transfer of immediately available funds to an account designated in writing by such Seller an amount equal to the aggregate amount by which such final Adjustment Amount for such Company exceeds the Estimated Adjustment Amount for such Company.

(ii) If the final Adjustment Amount for any Company, as set forth on the Final Closing Statement, is less than the Estimated Adjustment Amount for such Company included in the Closing Statement, such Company's Seller shall pay to Buyer by wire transfer of immediately available funds to an account designated in writing by Buyer an amount equal to the aggregate amount by which the Estimated Adjustment Amount for such Company exceeds such final Adjustment Amount for such Company.

(d) Adjustments for Tax Purposes. The Parties agree that any payment made pursuant to Section 2.2(a), Section 2.7(c), Section 2.10 and Section 7.2(c) shall be treated as an adjustment to the portion of the Purchase Price attributable to the Purchased Interests for applicable income Tax purposes, unless otherwise required by Law.

2.8 Purchase Price Allocation. Within 60 days following the issuance of the Final Closing Statement, Sellers shall deliver to Buyer for its review and approval a statement that provides for an allocation of the Purchase Price (and any other amounts constituting consideration for U.S. federal income Tax purposes) among (i) first, the Companies, and (ii) second, among the assets of each such Company in accordance with Section 1060 of the Code and the regulations thereunder (the "**Allocation Statement**") and to the maximum extent permitted under applicable law, to be consistent with the Allocated Value of the assets (taking into account reasonable adjustments to account for the fair market value of the OpCo Units at Closing and any payments pursuant to Section 2.10). Buyer shall provide Sellers with any comments to the Allocation Statement within 30 days after the date of receipt of the Allocation Statement by Buyer. If Buyer does not deliver any written notice of objection to the Allocation Statement within such thirty (30) day period, the Allocation Statement shall be final, conclusive and binding on the Parties. If a written notice of objection is timely delivered to Sellers, Sellers and Buyer will negotiate in good faith for a period of 20 days to resolve such dispute (the "**Allocation Dispute Resolution Period**"). If, during the Allocation Dispute Resolution Period, Sellers and Buyer resolve their differences in writing as to any disputed amounts, such resolution shall be deemed final and binding with respect to such amount for the purpose of determining that component of the Allocation Statement. In the event that Buyer and Sellers do not resolve all of the items disputed in the Allocation Statement prior to the end of the Allocation Dispute Resolution Period, all such unresolved disputed items shall be determined by the Closing Statement Accountant in accordance with the procedures of Section 2.7(b), *mutatis mutandis*.

None of Buyer, any Seller or any of their respective Affiliates shall take any Tax position (whether in audits, Tax Returns or otherwise) that is inconsistent with the final Allocation Statement, as it may be adjusted pursuant to this Section 2.8, unless otherwise required pursuant to a “determination” within the meaning of Section 1313(a) of the Code (or any similar provision of applicable U.S. state or local or non-U.S. Law); provided, however, that neither the Buyer nor Sellers shall be unreasonably impeded in their ability and discretion to negotiate, compromise and/or settle any Tax audit, claim or similar proceedings in connection with the final Allocation Statement. The Parties shall use commercially reasonable efforts to update the Allocation Statement in accordance with Section 1060 of the Code following any adjustment to the Purchase Price attributable to the Purchased Interests (including, for the avoidance of doubt, the payments, if any, required by Section 2.10 below) pursuant to this Agreement. For the avoidance of doubt, the Parties agree that no asset shall be allocated a value that is less than its adjusted tax basis for U.S. federal income tax purposes.

2.9 Withholding. Buyer shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement such amounts as are required to be withheld and paid over to any applicable Governmental Authority under the Code, or any applicable provision of applicable Law; provided that, other than with respect to withholding Taxes owed as a result of the failure of a Seller to deliver the certificate or form described in Section 2.6(a)(v), Buyer will, prior to any deduction or withholding, use commercially reasonable efforts to notify Sellers of any anticipated withholding, and reasonably cooperate with Sellers to minimize the amount of any applicable withholding. To the extent that amounts are so withheld and paid over to the applicable Governmental Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to Sellers.

2.10 Additional Payment. In the event Closing occurs, if the WTI 2025 Average equals or exceeds Sixty Dollars (\$60.00), each Seller shall earn, and Buyer shall pay each Seller (via wire transfer of immediately available funds to the account(s) designated by such Seller) no later than January 15, 2026, as additional consideration for the sale of the Purchased Interests, (i) with respect to TWR IV, the TWR IV Percentage, and (ii) with respect to TWR IV SellCo, the TWR IV SellCo Percentage, in each case, of a cash amount calculated as follows:

(a) \$16,400,000, if the WTI 2025 Average is equal to or greater than Sixty Dollars (\$60.00) but less than Sixty Five Dollars (\$65.00);

(b) \$24,600,000, if the WTI 2025 Average is equal to or greater than Sixty Five Dollars (\$65.00) but less than Seventy Five Dollars (\$75.00); or

(c) \$41,000,000, if the WTI 2025 Average is equal to or greater than Seventy Five Dollars (\$75.00).

2.11 Entitlements and Obligations. Except amounts for which the Base Purchase Price was adjusted under Section 2.3:

(a) For a period of twelve (12) months from and after the Closing Date, (A) each Seller shall be entitled to all Mineral Proceeds (including Mineral Proceeds attributable to suspense funds) attributable to its Applicable Company and/or the Assets of such Company as to periods prior to the Effective Time (“**Seller Entitlements**”), and (B) should Buyer or any Company receive after the Closing any payment with respect to the Seller Entitlements for any Seller, Buyer and such Company shall promptly remit the same to such Seller, as applicable; and

(b) Each Company shall be entitled to all Mineral Proceeds (including Mineral Proceeds attributable to suspense funds) attributable to such Company and/or the Assets of such Company as to periods from and after the Effective Time (“**Buyer Entitlements**”), and should any Seller or any Affiliate of any Seller receive after the Closing any payment with respect to the Buyer Entitlements, such Seller shall promptly remit the same to its Applicable Company, as applicable.

ARTICLE 3

Representations and Warranties Relating to Sellers

Except as disclosed in the Disclosure Schedule, each Seller, with respect to such Seller, severally and not jointly with the other Seller, represents and warrants to Buyer:

3.1 **Organization of Sellers.** TWR IV is a limited liability company duly formed, validly existing, and in good standing under the Laws of Delaware. TWR IV SellCo is a limited liability company duly formed, validly existing, and in good standing under the Laws of the State of Delaware. Such Seller is in good standing in each jurisdiction in which the nature of the business conducted by such Seller, or the character of the assets owned, including the Equity Interests, leased or used by such Seller makes such qualification necessary, except where the failure to be in good standing would not reasonably be expected to materially delay, impair, make illegal or otherwise interfere with the ability of such Seller to consummate the transactions contemplated by this Agreement or the other Transaction Documents to which it is a party or otherwise prevent its ability to perform in all material respects its obligations under this Agreement or the other the Transaction Documents to which it is or will be at Closing a party.

3.2 **Ownership of Purchased Interests** (a) TWR IV is the record and beneficial owner of all of the TWR IV Purchased Interests and (b) TWR IV SellCo is the record and beneficial owner of all of the TWR IV SellCo Purchased Interests, in each case, free and clear of all Liens other than Permitted Seller Securities Liens. Except as set forth in the Organizational Documents of the Applicable Company, at Closing, such Seller will not be party to any (i) option, warrant, right, contract, call, pledge, put or other agreement or commitment providing for the disposition or acquisition of such Seller’s interest in such Purchased Interests, as applicable, or (ii) voting trust, proxy or other agreement or understanding with respect to the voting of any of such Purchased Interests.

3.3 **Authorization; Enforceability.** Such Seller has full capacity, power and authority to execute and deliver this Agreement and all other Transaction Documents and to perform its obligations under this Agreement and the other Transaction Documents. This Agreement has been duly and validly executed and delivered by such Seller. This Agreement

constitutes, and upon the execution and delivery by such Seller of each of the documents executed and delivered by such Seller at the Closing, such documents shall constitute, valid and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

3.4 **No Conflicts.** Except as set forth on Schedule 3.4, the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated by this Agreement and the other Transaction Documents do not and shall not: (a) violate any Law or Order applicable to such Seller or require any filing with, consent, approval or authorization of, or notice to, any Governmental Authority; (b) result in the creation of any Lien (other than Permitted Seller Securities Liens) on, or result in any Person having the right to exercise any right to acquire the Purchased Interests; (c) violate any Organizational Document of such Seller; (d) violate, conflict with or result in any breach of any provision of, or constitute a default (or an event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation or acceleration under any agreement or instrument to which such Seller is a party, except in each case of the foregoing clauses (a), (b) or (d) for any matters that would not prevent or materially impair or delay, and would not reasonably be expected to prevent or materially impair or delay, the consummation of the transactions contemplated hereby or by the other Transaction Documents to which it is, or will be at Closing, a party, or the performance of such Seller's obligations and covenants hereunder or under any such Transaction Documents.

3.5 **Brokers' Fees.** Neither Seller nor any of their Affiliates have entered into any Contract with any Person that would require the payment by any Company or by Buyer or any of its Affiliates of any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement or any other Transaction Document.

3.6 **Litigation.** There are no actions, suits, or proceedings pending, or, to the Knowledge of such Seller, expressly threatened in writing before any Governmental Authority or arbitrator against such Seller or any Affiliate of such Seller which are reasonably likely to impair or delay materially Seller's ability to perform its obligations under this Agreement.

3.7 **Investment Intent.** TWR IV: (a) is acquiring the OpCo Units for its own accounts with the present intention of holding such OpCo Units for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or state securities laws; (b) understands that the OpCo Units will, upon issuance, be characterized as "restricted securities" and have not been registered under the Securities Act or any applicable state securities laws, and that the certificates representing the OpCo Units will bear restrictive legends to that effect; (c) understands that the OpCo Units may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to state securities laws and regulations as applicable; (d) is an "accredited investor," as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act; (e) has sufficient knowledge, sophistication and

experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the OpCo Units and has so evaluated the merits and risks of such investment; (f) is able to bear the economic risk of an investment in the OpCo Units and, at the present time and in the foreseeable future, is able to afford a complete loss of such investment; and (g) acknowledges that the OpCo Units will be subject to additional limitations on transfer set forth in the Third A&R Buyer LLCA, in the Second A&R Exchange Agreement, and elsewhere in this Agreement.

3.8 **Bankruptcy.** There are no bankruptcy, reorganization or receivership actions pending against, being contemplated by or, to Sellers' Knowledge, threatened against such Seller or its Company. No action is contemplated by such Seller or its Company in which such Seller or its Company would be declared insolvent or subject to the protection of any bankruptcy or reorganization Laws or procedures. Neither Seller nor its Company (a) is insolvent, (b) is in receivership or dissolution, (c) has made any assignment for the benefit of creditors, (d) has admitted in writing its inability to pay its debts as they mature, (e) has been adjudicated bankrupt and (f) has filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy Laws or any other similar Laws, nor has any such petition been filed against such Seller or its Company. In completing the transactions contemplated by this Agreement, such Seller does not intend to hinder, delay or defraud any present or future creditors of such Seller or its Company.

ARTICLE 4

Representations and Warranties Relating to the Companies

Except as disclosed in the Disclosure Schedule, each Seller, severally and not jointly with the other Seller represents and warrants to Buyer on behalf of its Applicable Company (and only with respect to such Seller's Applicable Company and not the other Company):

4.1 Companies.

(a) Such Company is a limited liability company duly organized, validly existing, and in good standing under the Laws of the State of Texas.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, such Company is duly qualified or licensed to do business in each other jurisdiction in which the ownership or operation of its assets, including the Assets, or conduct of its business makes such qualification or licensing necessary.

(c) Copies of such Company's Organizational Documents have been made available to Buyer.

(d) Prior to the Execution Date, the following events occurred: (i) on July 22, 2024, TWR IV Target was converted from a Delaware limited liability company to a Texas limited liability company (the "**Conversion**"); (ii) on July 22, 2024, TWR IV formed TWR IV SellCo as a Delaware limited liability company and a wholly-owned Subsidiary of TWR IV; (iii) on July 22, 2024, TWR IV SellCo formed TWR IV SellCo Target as a Texas limited liability

company and a wholly owned Subsidiary of TWR IV SellCo; (iv) on August 14, 2024, the Companies entered into an agreement and plan of merger under Texas Law (and filed a certificate of merger under Texas Law with respect to such merger) (the “**Company Merger**” and together with the Conversion, the “**Company Reorganization**”) pursuant to which an undivided TWR IV SellCo Percentage of the assets and liabilities of TWR IV Target immediately prior to the Company Merger were, or shall prior to the Closing Date be, vested in TWR IV SellCo Target and an undivided TWR IV Percentage of the assets and liabilities of TWR IV Target immediately prior to the Company Merger remained, or shall prior to the Closing Date remain, in TWR IV Target. Buyer has been provided correct and complete copies of all Conversion documents, as well as the agreement and plan of merger and certificate of merger (including in each case all exhibits and attachments thereto) for the Company Merger.

4.2 **No Conflict; Approvals.** Except as set forth on Schedule 4.2 and except for Permitted Encumbrances, none of the execution and delivery by such Seller, its Company, or any of their respective Affiliates of any Transaction Documents to which any of them is or will be a party, or the consummation of the transactions contemplated hereby and thereby does or shall (a) violate or conflict with any provision of such Company’s Organizational Documents, (b) violate, result in a breach of or require consent or notice under any Material Contract of such Company, or result in the acceleration of or create in any Person the right to accelerate, terminate, modify or cancel, any Material Contract of such Company, (c) violate or result in a violation of any Law to which such Company is subject in any material respect or (d) result in the imposition or creation of any Lien on any of the Purchased Interests of such Company or any of the Assets, except for any matters described in clauses (b), (c) or (d) above that would not reasonably be expected to be, individually or in the aggregate, material to such Company.

4.3 **Purchased Interests.** The TWR IV Purchased Interests constitute all of the issued and outstanding Equity Interests of TWR IV Target, and the TWR IV SellCo Purchased Interests constitute all of the issued and outstanding Equity Interests of TWR IV SellCo Target. The Purchased Interests have been duly authorized, validly issued and are fully paid and, subject to the Laws of the State of Texas, non-assessable, and were not issued in violation of any purchase option, call option, right of first refusal or preemptive right. As of the Closing, there will be no outstanding or authorized equity appreciation, phantom stock, profit participation, preemptive rights, registration rights, approval rights, proxies or rights of first refusal affecting the Purchased Interests.

4.4 **Ownership of Equity Interests.** Neither Company holds any direct or indirect Equity Interest in any Person.

4.5 **Financial Statements; No Liabilities.**

(a) Sellers have delivered to Buyer before the Execution Date true, correct, and complete copies of the following financial statements (the “**Financial Statements**”):

(i) the audited consolidated balance sheet of TWR IV and its Subsidiaries as of December 31, 2023 and 2022, and the related audited consolidated statements of operations, changes in members’ equity, and cash

flows for the year ended December 31, 2023, and for the period from March 24, 2022 (inception) to December 31, 2022 and the related notes to such financial statements;

(ii) the unaudited consolidated balance sheet of TWR IV and its Subsidiaries as of March 31, 2024 and March 31, 2023 and the related unaudited consolidated statements of operations, changes in members' equity, and cash flows for the three month periods ended March 31, 2024 and 2023 and the related notes to such financial statements; and

(iii) the unaudited consolidated balance sheet of TWR IV and its Subsidiaries as of June 30, 2024 (the "**Balance Sheet Date**") and such balance sheet, the "**Reference Balance Sheet**") and June 30, 2023, and the related unaudited consolidated statements of operations, changes in members' equity, and cash flows of TWR IV and its Subsidiaries for the six month periods ended June 30, 2024 and June 30, 2023.

(b) Except as set forth in the notes thereto, all applicable Financial Statements were prepared in accordance with GAAP using the same accounting principles, policies and methods as have been used in connection with the calculation of the items reflected thereon and fairly present, in all material respects, the consolidated financial condition and results of operations of the Companies as of the respective dates thereof and for the respective periods covered thereby, subject to, in the case of the unaudited Financial Statements, normal and recurring year-end audit adjustments, the absence of footnotes thereto and the absence of notes and other textual disclosures.

(c) No Company has any liabilities except for (i) liabilities fully and accurately reflected or reserved against on the face of the Reference Balance Sheet (rather than in the notes or schedules thereto), or (ii) liabilities that have arisen since the Balance Sheet Date in the ordinary course of business of the Companies consistent with past practice (none of which relate to violations of Law, a breach of Contract, or warranty liabilities) that would not be, individually or in the aggregate, material to the Company or (iii) liabilities arising out of the ownership, operation or maintenance of the Assets and the Excluded Assets in an aggregate amount not in excess of \$17,220,000.

(d) For purposes of this Section 4.5 and Section 4.7, "liabilities" means, with respect to any Person all obligations, and/or other liabilities of such Person (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due), including (i) all indebtedness for borrowed money (including all principal, accrued interest, premiums, penalties, termination fees or breakage fees but excluding trade accounts payable incurred in the ordinary course of business of the Companies consistent with past practice), (ii) indebtedness evidenced by any note, bond, debenture, mortgage or other debt instrument or debt security, (iii) indebtedness for borrowed money secured by a Lien on assets or properties of such Person, (iv) any obligation to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, only in the case where such obligation is classified as a capital lease on the Financial Statements, or (v) guarantees with respect to any

indebtedness or other obligation of any other Person of a type described in the foregoing clause (i) through clause (iv).

4.6 Bank Accounts. Schedule 4.6 sets forth (a) the name of each financial institution in which each Company has borrowing or investment agreements, deposit or checking accounts or safe deposit boxes and (b) the type of those arrangements and accounts, including, as applicable, names in which accounts or boxes are held, the account or box numbers and the name of each Person authorized to draw thereon or have access thereto.

4.7 Specific Entity Matters.

(a) Each Company (i) owns no assets of any kind or character other than the Assets and the Excluded Assets, (ii) has never owned any assets of any kind or character other than the Assets and the Excluded Assets (other than in connection with the Company Reorganization or fee mineral interest, overriding royalty interests, non-participating royalty interests and other non-cost bearing mineral and Hydrocarbon interests previously sold, conveyed or otherwise transferred by such Company for which such Company has no continuing obligations other than ordinary course indemnification obligations arising under the applicable sale agreement), and (iii) has no liabilities other than those arising out of its ownership, operation or maintenance of its Assets and Excluded Assets.

(b) Except as set forth on Schedule 4.7, other than in connection with the Company Reorganization, no Company has sold, conveyed or otherwise transferred any Asset nor agreed to any such sale, conveyance or transfer, except (i) as contemplated herein, (ii) entry into oil and gas mineral leases, (iii) ratification of a pool or unit in the ordinary course of business consistent with past practice, or (iv) sales, conveyances, exchanges or transfers of fee mineral interests, overriding royalty interests, non-participating royalty interests and other non-cost bearing mineral and Hydrocarbon interests.

(c) No Company has, or has ever had, any employees.

(d) At no time has any Company sponsored, maintained or contributed to or had any obligation with respect to (i) any “employee benefit plan,” as such term is defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended (“ERISA”) whether or not subject to ERISA, (ii) any stock bonus, stock ownership, stock option, stock purchase, stock appreciation rights, phantom stock, or other stock plan (whether qualified or nonqualified), or (iii) any bonus or incentive compensation plan.

4.8 Powers of Attorney. Schedule 4.8 sets forth a complete list of all powers of attorney issued by any Company that remain in effect as of the Closing Date.

4.9 Litigation. Except (a) as set forth on Schedule 4.9, (b) with respect to any title matters or Title Defects, which are solely addressed in Article 9, (c) with respect to Environmental Laws or environmental matters, which are solely addressed in Section 4.18 and (d) with respect to Tax matters, which are solely addressed in Section 4.10, there are no Proceedings (i) pending before any Governmental Authority or arbitrator against any Company

(A) as of the Execution Date relating to any Asset of such Company or such Company's ownership thereof or (B) seeking to prevent the consummation of the transactions contemplated hereby or (ii) to Sellers' Knowledge, threatened with reasonable specificity by any Third Party or Governmental Authority against such Company, (A) as of the Execution Date relating to the Assets of such Company or such Company's ownership thereof or (B) seeking to prevent the consummation of the transactions contemplated by this Agreement.

4.10 **Taxes.** Except as set forth on Schedule 4.10, (a) all material Taxes that have become due and payable by such Company (whether or not shown on any Tax Returns) have been duly and timely paid, (b) all material Tax Returns required to be filed by such Company have been duly and timely filed (taking into account any extension of the due date for filing) and each such Tax Return is correct in all material respects, (c) no outstanding audit, litigation or other Proceeding with respect to any Taxes of such Company has been commenced, nor has written notice of any pending Proceeding with respect to any Taxes of such Company been received from any applicable Governmental Authority and, to Sellers' Knowledge, no such Proceeding has been threatened, (d) there are no Liens on any of the Assets attributable to Taxes (other than Permitted Encumbrances), (e) there is not in force any waiver or agreement for any extension of time for the assessment or payment of any Tax of such Company, (f) none of the Assets of such Company are subject to any tax partnership agreement or are otherwise treated, or required to be treated, as held in an arrangement requiring a partnership income Tax Return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code (other than Sellers' Organizational Documents) and (g) none of the Companies is a party to any Tax allocation, Tax indemnification or Tax sharing agreement that will remain in effect following Closing (other than any commercial agreements or arrangements that are not primarily related to Taxes). Such Company is, and has been since formation, a disregarded entity for U.S. federal income tax purposes.

4.11 **Compliance with Laws.** Except (a) as set forth on Schedule 4.11, (b) with respect to any title matters or Title Defects, which are solely addressed in Article 9, (c) with respect to Environmental Laws or environmental matters, which are solely addressed in Section 4.18 and (d) with respect to Tax matters, which are solely addressed in Section 4.10, each Company is and has been for the period of its ownership of such Company's Assets, in material compliance with any applicable Law, with respect to its ownership of such Company's Assets. Neither Company has received any written notices alleging any material violation of any applicable Law with respect to its ownership of such Company's Assets that are uncured as of the Execution Date.

4.12 **Material Contracts.** Schedule 4.12 sets forth all Material Contracts. "Material Contract" means any of the following Contracts (excluding Hydrocarbon leases), to the extent binding on any Company or any Asset:

- (a) any Contract that is a Hydrocarbon purchase and sale, transportation, gathering, treating, processing or similar Contract that is not terminable without penalty on 60 days' or less notice;
- (b) any Contract evidencing indebtedness for borrowed money;

- (c) any Contract guaranteeing any obligation of another Person or guaranteeing any hedge Contract;
- (d) any seismic or other Contract evidencing a license for the use of or otherwise related to geological or geophysical data (including seismic data);
- (e) any Contract that can reasonably be expected to result in aggregate payments by, or revenues to the Companies (or if after Closing, Buyer) of more than \$100,000 (net to the Companies' interest) during the current or any subsequent fiscal year or more than \$500,000 in the aggregate (net to the Companies' interest) over the term of such Contract (based on the terms thereof and contracted (or if none, current) quantities where applicable);
- (f) any Contract that is an indenture, mortgage, loan, credit agreement, sale-leaseback, guaranty of any obligation, bond, letter of credit or similar financial Contract (other than Permitted Encumbrances);
- (g) any Contract that constitutes a non-competition agreement pertaining to any Company or otherwise purports to restrict, limit or prohibit the manner in which, or the locations in which, any Company conducts business that will be binding on Buyer or the Purchased Interests after Closing;
- (h) any Contract that contains a call on production, option to purchase, or similar rights with respect to Hydrocarbon production from the Oil and Gas Assets;
- (i) any Contract that contains a tag-along or drag-along right held by a Third Party with respect to any Oil and Gas Assets;
- (j) any Contract where the primary purpose thereof is or was to indemnify another Person that will be binding on Buyer or the Purchased Interests after Closing; and
- (k) any Contract between the Company, on the one hand, and any Seller or any Affiliate of any Seller, on the other, that will be binding on Buyer, any Company, the Assets or the Purchased Interests after Closing.

Each Material Contract constitutes the legal, valid and binding obligation of the Applicable Company, on the one hand, and, to the Sellers' Knowledge, the counterparties thereto, on the other hand, and is enforceable in accordance with its terms, except, in each case, as would not reasonably be expected to have a Material Adverse Effect. Neither Company is, nor has either Company received written notice alleging, breach or default of such Company's obligations under any of the Material Contracts, except as would not reasonably be expected to have a Material Adverse Effect. To Sellers' Knowledge, except as set forth in Schedule 4.12, or as would not reasonably be expected to have a Material Adverse Effect, (x) no breach or default by any Third Party exists under any Material Contract and (y) no counterparty to any Material Contract has canceled, terminated or modified, or threatened to cancel, terminate or modify, any Material Contract. True, correct and complete copies of all Material Contracts, including all

amendments and modifications thereto, have been made available to Buyer prior to the Execution Date.

4.13 **Payments for Production.** To Sellers' Knowledge, except as set forth on Schedule 4.13, neither Company is obligated by virtue of a take-or-pay payment, advance payment, or other similar payment (other than royalties, overriding royalties, similar arrangements established in the Lands or reflected on Exhibit A-1, minimum throughput commitments, imbalances, and gas balancing agreements), to deliver Hydrocarbons, or proceeds from the sale thereof, attributable to such Company's interest in the Oil and Gas Assets at some future time without receiving payment therefor at or after the time of delivery.

4.14 **Imbalances.** Except as set forth on Schedule 4.14, to Sellers' Knowledge, there are no production, transportation, plant, or other imbalances with respect to production from each Company's interest in the Oil and Gas Assets.

4.15 **Consents.** Except as set forth in Schedule 4.15, none of the Assets are subject to any consent required to be obtained by either Company with respect to the transactions contemplated by this Agreement, except (a) for consents and approvals of Governmental Authorities that are customarily obtained after Closing, or (b) for Contracts that are terminable upon not greater than 90 days' notice without payment of any fee.

4.16 **Preferential Purchase Rights.** There are no preferential purchase rights to purchase the Assets which are triggered by or applicable to the transactions contemplated by this Agreement and the other Transaction Documents.

4.17 **Hedges.** There are no futures, options, swaps, or other derivatives to which any Company or any of their respective Affiliates is a party that are or will be binding on any Company or any of the Assets or the sale of Hydrocarbons therefrom after Closing.

4.18 **Environmental Matters.**

(a) To Sellers' Knowledge, except as disclosed on Schedule 4.18, (i) each Company is in compliance in all material respects with all applicable Environmental Laws with respect to the Assets, (ii) there are no Proceedings pending or threatened in writing against any Company with respect to the Assets alleging material violations of, or material liabilities under, Environmental Laws, (iii) no Company or its Affiliates has received written notice from any Person of any alleged or actual material violation by such Company of, or material liability of such Company under, any Environmental Law or the terms or conditions of any Permits of such Company required under Environmental Laws with respect to the Assets, that remains unresolved, (iv) except for Orders and decrees generally applicable to the owners and operators of oil and gas assets located within the counties where the Oil and Gas Assets are located, none of the Purchased Interests or Assets are subject to any unfulfilled Orders, consent decrees, or agreements with any Governmental Authority related to Environmental Laws, and (v) no Company or its Affiliates has received unresolved written notice from any Person of any releases of Hazardous Materials on, from, under, or to the Assets that would reasonably be expected to give rise to material liabilities under Environmental Law for the Companies and their Affiliates.

(b) The representations and warranties in this Section 4.18 are the sole and exclusive representations and warranties of Sellers and their Affiliates with respect to Environmental Laws, Permits required under Environmental Laws and/or Hazardous Materials.

4.19 **Suspense Funds.** To Sellers' Knowledge as of the Execution Date, no material payments for production attributable to the Assets are currently held in suspense by the applicable operator, purchaser, or other obligor thereof as of the Execution Date except as set forth on Schedule 4.19.

4.20 **Special Warranty of Defensible Title.** Each Company has Defensible Title to the Oil and Gas Assets, as applicable, against every Person whoever is lawfully claiming the same or any part thereof by, through or under such Company or its Affiliates, but not otherwise, subject, however, to Permitted Encumbrances.

4.21 **Brokers' Fees.** Neither Company nor any of its Affiliates have entered into any Contract with any Person that would require the payment by Buyer or any of its Affiliates (including from and after the Closing, the Company) of any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement or any other Transaction Document.

4.22 **Operations.** Except as set forth on Schedule 4.22, as of the Execution Date, the Oil and Gas Assets do not include any unleased mineral interest where any Company has agreed to bear a share of drilling, operating or other costs as a participating mineral owner from and after Closing (other than operating costs that are borne by a Company after all applicable payout amounts have been received by the applicable participating parties). No Company has conducted any oil and gas operations on any of the Oil and Gas Assets, including, but not limited to, preparation, exploration, drilling, completion, reworking, or plugging or abandonment operations.

4.23 **Overpayments.** To Sellers' Knowledge as of the Execution Date, other than as set forth on Schedule 4.23, no Company has received any royalties or revenues attributable to production from or the ownership of the Oil and Gas Assets in excess of the royalties or revenues such Company and/or such Seller is properly entitled to under the Oil and Gas Assets.

4.24 **Lease Matters.** Except as set forth on Schedule 4.24, to Sellers' Knowledge, (a) no Company has provided any Oil and Gas Lease lessee with a written demand for payment or performance or notice of default and (b) no Company has received any written demand for payment or performance or notice of default, from any Oil and Gas Lease lessee or other party to any Oil and Gas Lease.

4.25 **Unclaimed Property and Escheat Obligations.** None of the Assets consists of material property or obligations, including uncashed checks, that a Company is currently required to be escheated or reported as unclaimed property to any state or municipality under any applicable escheatment or unclaimed property Laws.

ARTICLE 5
Representations and Warranties Relating to Buyer Parties

The Buyer Parties jointly and severally represent and warrant to Sellers:

5.1 **Organization of Buyer Parties.** Buyer is a limited liability company, duly formed, validly existing, and in good standing under the Laws of the State of Delaware. Parent is a corporation, duly formed, validly existing, and in good standing under the Laws of the State of Delaware. Each Buyer Party is in good standing in each jurisdiction in which the nature of the business conducted by such Buyer Party, or the character of the assets owned, including the Equity Interests, leased or used by such Buyer Party makes such qualification necessary, except where the failure to be in good standing would not reasonably be expected to materially delay, impair, make illegal or otherwise interfere with the ability of such Buyer Party to consummate the transactions contemplated by this Agreement or the other Transaction Documents to which it is a party or otherwise prevent its ability to perform in all material respects its obligations under this Agreement or the other the Transaction Documents to which it is or will be at Closing a party.

5.2 **Authorization; Enforceability.** Each Buyer Party has all requisite limited liability company or corporate, as applicable, power and authority to execute and deliver this Agreement and all other Transaction Documents and to perform its obligations under this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby or thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized and approved by each Buyer Party, and no other limited liability company or corporate, as applicable, proceeding on the part of a Buyer Party is necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by each Buyer Party. This Agreement and the other Transaction Documents constitute, and upon the execution and delivery by Buyer Parties of each of the documents executed and delivered by Buyer Party thereto at the Closing, such documents shall constitute, valid and binding obligations of the applicable Buyer Party, enforceable against such Buyer Party in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

5.3 **No Conflict; Consents.** Assuming (a) filings that have been made, or will be made, pursuant to the rules and regulations of the Nasdaq in order to cause the Viper Shares to be listed thereon upon their registration under the Securities Act under the terms and conditions of the Registration Rights Agreement, and (b) post-Closing filings pursuant to applicable federal and state securities laws which the applicable Buyer Party undertakes to file or obtain within the applicable time period, in each case to the extent required, the execution and delivery of this Agreement and the Transaction Documents by the Buyer Parties and the consummation of the transactions contemplated by this Agreement and any other Transaction Documents do not and shall not: (i) violate or conflict with any provision of the Buyer Parties' Organizational Documents, (ii) violate or result in any violation of any Law applicable to a Buyer Party or

require any filing with, consent, approval or authorization of, or notice to, any Governmental Authority; or (iii) breach any Contract to which a Buyer Party is a party or by which any of its assets may be bound or result in the termination of any such Contract, except in each case of the foregoing clauses (ii) or (iii) that prevents or materially impairs or delays, or would reasonably be expected to prevent or materially impair or delay, the consummation of the transactions contemplated hereby or the performance of the Buyer Parties' obligations and covenants hereunder that are to be performed at Closing.

5.4 **Litigation.** There are no actions, investigations or other Proceedings pending, or to Buyer's Knowledge, any basis or threat any action, investigation, or other Proceeding, which question or make illegal the validity of this Agreement or any other action taken or to be taken in connection herewith that prevents or materially impairs or delays, or would be reasonably expected to prevent or materially impair or delay, any Buyer Party's ability to consummate the transactions contemplated by this Agreement or any other Transaction Documents or the performance of any Buyer Party's obligations and covenants hereunder that are to be performed prior to Closing.

5.5 **Brokers' Fees.** Neither Buyer Party nor any of its respective Affiliates has entered into any Contract with any Person that would require the payment by any Seller or any of Sellers' Affiliates of any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement or any other Transaction Documents.

5.6 **Bankruptcy.** There are no bankruptcy, reorganization or receivership actions pending against, being contemplated by or, to Buyer's Knowledge, expressly threatened in writing against any Buyer Party or any Affiliate thereof. No action is contemplated by any Buyer Party or its Affiliates in which such Buyer Party or any of its Affiliates would be declared insolvent or subject to the protection of any bankruptcy or reorganization Laws or procedures. Neither Buyer Party nor any of its Affiliates (a) is insolvent, (b) is in receivership or dissolution, (c) has made any assignment for the benefit of creditors, (d) has admitted in writing its inability to pay its debts as they mature, (e) has been adjudicated bankrupt and (f) has filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy Laws or any other similar Laws, nor has any such petition been filed against any Buyer Party or any of its Affiliates. In completing the transactions contemplated by this Agreement, no Buyer Party intends to hinder, delay or defraud any present or future creditors of any Buyer Party or its Affiliates.

5.7 **Financial Ability.** Each Buyer Party understands and acknowledges that the obligations of Buyer Parties to consummate the transactions contemplated by this Agreement are not in any way contingent upon or otherwise subject to Buyer Parties' consummation of any financing arrangement, Buyer Parties' obtaining of any financing or the availability, grant, provision or extension of any financing to a Buyer Party. Buyer Parties have, and at Closing will have, through a combination of cash on hand and funds readily and unconditionally available under existing lines of credit, funds sufficient or other sources of immediately available funds to enable Buyer Parties to fund the consummation of the transactions contemplated by this Agreement and satisfy all other costs and expenses arising in connection herewith.

5.8 **Relevant Area Interests.** To Buyer's Knowledge, none of Buyer nor Parent directly or indirectly, through subsidiaries, partnerships, joint venture, or otherwise, (a) owns or holds any ownership, leasehold, stock, share capital, equity or other interest in any Person that operates (or takes any production in kind from) oil and gas properties that produce Uinta Basin waxy crude in any of Duchesne, Uintah, Utah, Grand, Emery, Carbon, and Wasatch Counties, Utah (the "**Relevant Area**") that has produced or sold, on average over the six (6) month period prior to the Execution Date or the Closing Date, more than 2,000 barrels per day of waxy crude in the Relevant Area or (b) owns or holds, individually or in the aggregate, any interest (whether fee or leasehold) in lands located in the Relevant Area of more than 1,280 acres.

5.9 **OpCo Units, Class B Shares and Viper Shares.** The OpCo Units to be issued as the OpCo Unit Consideration, the Class B Shares that may be issued upon TWR IV's exercise of the option to acquire Class B Shares (the "**Class B Option**") pursuant to the Class B Common Stock Option Agreement and the Viper Shares that may be issued upon any exchange by TWR IV of such OpCo Units and, if the Class B Option has been exercised, Class B Shares for Viper Shares in accordance with the terms of the Second A&R Exchange Agreement (each, an "**Exchange**") have each been duly authorized by Buyer or Parent, as applicable, and, when issued and delivered at the Closing, in the case of the OpCo Units, upon exercise of the Class B Option, in the case of the Class B Shares and upon an Exchange, in the case of Viper Shares, (a) will be duly authorized, validly issued in accordance with Buyer's limited liability company agreement (as amended) fully paid and non-assessable and Parent's Organizational Documents, (b) will be issued free and clear of any Liens (excluding (i) any transfer restrictions imposed by federal and state securities Laws), (ii) any Liens imposed in any of the Organizational Documents of the Buyer, or (iii) created or imposed by any Seller or its Affiliates at or after the Closing and (c) will not be issued in violation of any preemptive or other rights to subscribe for or to purchase any OpCo Units, Class B Shares or Viper Shares. In addition, all actions required to be taken by the Buyer Parties to cause the OpCo Units constituting the OpCo Unit Consideration to be issued at the Closing as contemplated in this Agreement shall have been taken at or before the Closing all actions required to be taken by Parent to cause the Class B Shares underlying the Class B Common Stock Option Agreement shall have been taken at or before TWR IV's exercise of the Class B Option, and all actions required to be taken by Parent to cause the Viper Shares issuable upon an Exchange shall have been taken at or before such Exchange.

5.10 **Capitalization of Buyer.**

(a) As of the date immediately preceding the Execution Date, the issued and outstanding Equity Interests of Buyer consisted of 176,878,461 OpCo Units. Buyer has, and at the Closing will have, sufficient authorized Equity Interests to enable it to issue the OpCo Unit Consideration as determined pursuant to Section 2.2(a) at the Closing.

(b) All of the issued and outstanding OpCo Units are duly authorized, validly issued in accordance with the Organizational Documents of Buyer, fully paid and non-assessable, and were not issued in violation of any preemptive rights, rights of first refusal, or other similar rights of any Person.

(c) Except as contemplated by this Agreement or as set forth in Buyer's and Parent's Organizational Documents, as of the Execution Date (i) there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate Buyer to issue or sell any Equity Interests of Buyer or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in Buyer, and no securities or obligations evidencing such rights are authorized, issued or outstanding, (ii) there are no equity holder agreements, voting agreements, proxies, or other similar agreements or understandings with respect to the voting of any of the Equity Interests in Buyer and (iii) no Equity Interests of Buyer are reserved for issuance.

(d) As of the Execution Date, Buyer does not have any outstanding bonds, debentures, notes, or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in Buyer on any matter.

(e) As of the Execution Date, Buyer is not party to any Contract that obligates it to (and does not otherwise have any obligation to) register for resale any Equity Interests of Buyer.

(f) Buyer is not in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of any term, condition or provision of any Organizational Document of Buyer in any material respects.

5.11 Capitalization of Parent.

(a) As of the date immediately preceding the Execution Date, the issued and outstanding shares of Parent stock consisted of 91,447,008 Viper Shares, and 85,431,453 Class B Shares. Parent has, and at the Closing will have, sufficient authorized Class B Shares and Viper Shares to enable it to (i) enter into the Class B Common Stock Option Agreement at Closing and (ii) issue the Viper Shares that may be issued upon any Exchange by TWR IV.

(b) All of the issued and outstanding Viper Shares and Class B Shares are duly authorized, validly issued in accordance with the Organizational Documents of Parent, fully paid and non-assessable, and were not issued in violation of any preemptive rights, rights of first refusal, or other similar rights of any Person.

(c) Except as contemplated by this Agreement, as disclosed in the Parent SEC Documents and for equity awards made pursuant to plans described in the Parent SEC Documents, as of the Execution Date (i) there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate Parent to issue or sell any Equity Interests of Parent or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in Parent, and no securities or obligations

evidencing such rights are authorized, issued or outstanding, (ii) there are no equity holder agreements, voting agreements, proxies, or other similar agreements or understandings with respect to the voting of any of the Equity Interests in Parent and (iii) no Equity Interests of Parent are reserved for issuance.

(d) As of the Execution Date, Parent does not have any outstanding bonds, debentures, notes, or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in Parent on any matter.

(e) As of the Execution Date, except as disclosed in the Parent SEC Documents, Parent is not party to any Contract that obligates it to (and does not otherwise have any obligation to) register for resale any Equity Interests of Parent.

(f) Parent is not in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of any term, condition or provision of any Organizational Document of Parent in any material respects.

5.12 SEC Documents; Financial Statements.

(a) Parent has timely filed or furnished all registration statements, prospectuses, reports, schedules, forms, statements and other documents required to be so filed or furnished by it with the Commission since January 1, 2023 (collectively, the “**Parent SEC Documents**”). The Parent SEC Documents, including any audited or unaudited financial statements and any notes thereto or schedules included therein (the “**Parent Financial Statements**”), at the time filed or furnished (except to the extent corrected by a subsequently filed or furnished Parent SEC Document filed or furnished prior to the Execution Date) (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein (in the light of the circumstances under which they were made) not misleading, (ii) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as applicable, (iii) in the case of the Parent Financial Statements, complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, (iv) in the case of the Parent Financial Statements, were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto, the omission of notes to the extent permitted by Regulation S-K or, in the case of unaudited statements, as permitted by Form 10-Q of the Commission) and subject, in the case of interim financial statements, to normal year-end adjustments, and (v) in the case of the Parent Financial Statements, fairly present in all material respects the consolidated financial condition, results of operations, and cash flows of Buyer as of the dates and for the periods indicated therein.

(b) The unaudited pro forma financial information and the related notes thereto contained in Parent’s Current Report on Form 8-K/A filed on March 5, 2024 (the “**Parent 8-K**”) has been prepared in accordance with the SEC’s rules and guidance with respect

to pro forma financial information in all material respects, and the assumptions underlying such pro forma financial information are reasonable.

(c) Since March 31, 2024, neither Parent nor any of its Subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise that would be required to be reflected in financial statements prepared in accordance with GAAP, except for: (a) liabilities reflected or reserved against in the March 31, 2024 balance sheet included in the Parent Financial Statements (or readily apparent in the notes thereto), (b) liabilities that have been incurred by Parent or any of its Subsidiaries since March 31, 2024 in the ordinary course of business of Parent or any of its Subsidiaries consistent with past practice (none of which relate to violations of Law, a breach of Contract, or warranty liabilities) that would not be, individually or in the aggregate, material to the Parent or any of its Subsidiaries, (c) liabilities incurred in connection with the transactions contemplated by this Agreement and the other Transaction Documents, and (d) liabilities which have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Parent. Neither Parent nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar contract or arrangement (including any contract relating to any transaction or relationship between or among Parent and any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or Person, on the other hand) or any “off-balance sheet arrangements” (as defined in Item 303(a) of Regulation S-K under the Exchange Act), where the result, purpose or effect of such contract is to avoid disclosure of any material transaction involving, or material liabilities of, Parent or any of its Subsidiaries, in Parent’s consolidated financial statements or the Parent SEC Documents.

(d) As of the date of this Agreement, there are no outstanding or unresolved comments in the comment letters received from the SEC staff with respect to the Parent SEC Documents. To the Knowledge of Parent, none of the Parent SEC Documents is subject to ongoing review or outstanding SEC comment or investigation.

5.13 Internal Controls; Listing Exchange.

(a) Buyer maintains and has maintained effective internal control over financial reporting (as defined in Rule 13a-15 under the Exchange Act) or required by Rule 13a-15 under the Exchange Act. Since January 1, 2020, there have not been any material weaknesses in Buyer’s internal control over financial reporting or changes in its internal control over financial reporting which are reasonably likely to adversely affect Buyer’s internal control over financial reporting.

(b) Parent has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act, such disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by Parent in the reports it files or submits to the Commission under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Commission, and that all

such material information is accumulated and communicated to Parent's management as appropriate to allow timely decisions regarding required disclosure.

(c) Since March 31, 2024, (i) Parent has not been advised by its independent auditors of (A) any significant deficiency or material weakness in the design or operation of internal controls that could adversely affect Parent's internal controls or (B) Parent has no knowledge of any fraud, whether or not material, that involves management or other employees who have a significant role in Parent's internal controls, and (ii) there have been no changes in internal controls or, to Parent's knowledge, in other factors that could materially affect internal controls, including any corrective actions with regard to any significant deficiency or material weakness.

(d) There has been no failure on the part of Parent or, to Parent's knowledge, any of Parent's directors or officers, in their capacities as such, to comply in all material respects with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

(e) The Viper Shares are listed on the Nasdaq, and Parent has not received any notice of delisting. No judgment, order, ruling, decree, injunction, or award of any securities commission or similar securities regulatory authority or any other Governmental Authority, or of the Nasdaq, preventing or suspending trading in any securities of Parent has been issued, and no proceedings for such purpose are, to Buyer's Knowledge, pending, contemplated or threatened.

5.14 **Securities Law Compliance.** Buyer is an "accredited investor," as such term is defined in Regulation D of the Securities Act. Buyer (a) is acquiring the Purchased Interests for its own account and not with a view to distribution and (b) has sufficient knowledge and experience in financial and business matters so as to be able to evaluate the merits and risk of an investment in the Purchased Interests and is able financially to bear the risks of such investment.

5.15 **Form S-3.** As of the Execution Date, Parent is eligible to register all of the Viper Shares issuable upon Exchange of the OpCo Unit Consideration issued to TWR IV pursuant to the terms of this Agreement for resale by TWR IV under a Registration Statement on Form S-3 promulgated under the Securities Act.

5.16 **Investment Intent.** Buyer is acquiring the Purchased Interests for its own account and not with a view to their sale or distribution in violation of the Securities Act, any applicable state blue sky Laws, or any other applicable securities Laws. Buyer has made, independently and without reliance on Sellers or the Companies (except to the extent that Buyer has relied on the representations and warranties in this Agreement, the Seller Closing Certificate, or other Transaction Documents), its own analysis of the Purchased Interests, the Companies, and the Assets for the purpose of acquiring the Purchased Interests, and Buyer has had reasonable and sufficient access to documents, other information and materials as it considers appropriate to make its evaluations. Buyer acknowledges that the Purchased Interests are not registered pursuant to the Securities Act and that none of the Purchased Interests may be transferred, except pursuant to an effective registration statement or an applicable exemption from registration under the Securities Act.

5.17 **Buyer's Independent Investigation.** BUYER AND ITS REPRESENTATIVES HAVE UNDERTAKEN AN INDEPENDENT INVESTIGATION AND VERIFICATION OF THE PURCHASED INTERESTS. BUYER IS (OR ITS AFFILIATES AND ADVISORS ARE) SOPHISTICATED, EXPERIENCED AND KNOWLEDGEABLE IN THE OIL AND GAS BUSINESS AND IS AWARE OF THE RISKS OF THAT BUSINESS. IN ENTERING INTO THIS AGREEMENT, BUYER HAS RELIED SOLELY UPON ITS OWN INVESTIGATION AND ANALYSIS AND LEGAL, TAX ENGINEERING AND OTHER PROFESSIONAL COUNSEL CONCERNING THIS TRANSACTION, THE PURCHASED INTERESTS, AND THE ASSETS AND VALUE THEREOF AND THE SPECIFIC REPRESENTATIONS AND WARRANTIES OF SELLERS SET FORTH IN ARTICLE 3 AND ARTICLE 4 OF THIS AGREEMENT AND EACH SELLER CLOSING CERTIFICATE, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE MADE BY SELLERS IN SECTION 4.20, AND BUYER:

(a) ACKNOWLEDGES AND AGREES THAT IT HAS NOT BEEN INDUCED BY AND HAS NOT RELIED UPON ANY REPRESENTATIONS, WARRANTIES OR STATEMENTS, WHETHER EXPRESS OR IMPLIED, MADE BY SELLERS OR ANY OF SELLERS' RESPECTIVE DIRECTORS, OFFICERS, EQUITYHOLDERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, AGENTS, ADVISORS OR REPRESENTATIVES THAT ARE NOT EXPRESSLY SET FORTH IN ARTICLE 3 AND ARTICLE 4, OF THIS AGREEMENT AND THE CERTIFICATE OF SELLERS DELIVERED AT THE CLOSING, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE MADE BY SELLERS IN SECTION 4.20, WHETHER OR NOT ANY SUCH REPRESENTATIONS, WARRANTIES OR STATEMENTS WERE MADE IN WRITING OR ORALLY;

(b) ACKNOWLEDGES AND AGREES THAT NONE OF THE SELLERS OR ANY OF THEIR DIRECTORS, OFFICERS, EQUITYHOLDERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, AGENTS, ADVISORS OR REPRESENTATIVES MAKES OR HAS MADE ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION PROVIDED OR MADE AVAILABLE TO BUYER OR ITS DIRECTORS, OFFICERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, AGENTS OR REPRESENTATIVES, INCLUDING ANY INFORMATION, DOCUMENT OR MATERIAL PROVIDED OR MADE AVAILABLE, OR STATEMENTS MADE, TO BUYER (INCLUDING ITS DIRECTORS, OFFICERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, ADVISORS, AGENTS OR REPRESENTATIVES) IN DATA ROOMS, MANAGEMENT PRESENTATIONS OR SUPPLEMENTAL DUE DILIGENCE INFORMATION PROVIDED TO BUYER (INCLUDING ITS DIRECTORS, OFFICERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, ADVISORS, AGENTS OR REPRESENTATIVES) IN CONNECTION WITH DISCUSSIONS OR ACCESS TO MANAGEMENT OF SELLERS OR ANY OF SELLERS' AFFILIATES OR IN ANY OTHER FORM IN EXPECTATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT (COLLECTIVELY, "**DUE DILIGENCE INFORMATION**");

(c) ACKNOWLEDGES AND AGREES THAT (I) THE DUE DILIGENCE INFORMATION INCLUDES CERTAIN PROJECTIONS, ESTIMATES AND OTHER FORECASTS, AND CERTAIN BUSINESS PLAN INFORMATION, (II) THERE ARE UNCERTAINTIES INHERENT IN ATTEMPTING TO MAKE SUCH PROJECTIONS, ESTIMATES AND OTHER FORECASTS AND PLANS AND BUYER IS FAMILIAR WITH SUCH UNCERTAINTIES AND (III) BUYER IS TAKING FULL RESPONSIBILITY FOR MAKING ITS OWN EVALUATION OF THE ADEQUACY AND ACCURACY OF ALL PROJECTIONS, ESTIMATES AND OTHER FORECASTS AND PLANS SO FURNISHED TO IT AND ANY USE OF OR RELIANCE BY BUYER ON SUCH PROJECTIONS, ESTIMATES AND OTHER FORECASTS AND PLANS SHALL BE AT ITS SOLE RISK; AND

(d) AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT NONE OF THE SELLERS OR ANY OF THEIR DIRECTORS, OFFICERS, EQUITYHOLDERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, AGENTS, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY OR RESPONSIBILITY WHATSOEVER TO BUYER OR ITS DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES, AFFILIATES, CONTROLLING PERSONS, AGENTS, ADVISORS OR REPRESENTATIVES ON ANY BASIS (INCLUDING IN CONTRACT OR TORT, UNDER FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE) RESULTING FROM THE DISTRIBUTION TO BUYER, OR BUYER'S USE OF, ANY DUE DILIGENCE INFORMATION; PROVIDED, THAT NEITHER THE FOREGOING WAIVER, NOR ANYTHING IN THIS SECTION 5.17, SECTION 5.18 BELOW, OR ANY OTHER PROVISION OF THIS AGREEMENT, SHALL (I) LIMIT, RESTRICT, OR OTHERWISE AFFECT BUYER'S RIGHT TO RAISE TITLE DEFECTS IN ACCORDANCE WITH THE TERMS OF ARTICLE 9 OF THIS AGREEMENT, (II) LIMIT, RESTRICT, OR OTHERWISE AFFECT BUYER'S RIGHTS RELATING TO THE EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR (III) RELIEVE ANY SELLER FROM ANY LIABILITY FOR FRAUD.

5.18 Limitations. EXCEPT FOR EACH SELLER'S REPRESENTATIONS AND WARRANTIES SET FORTH IN ARTICLE 3 AND ARTICLE 4, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE MADE BY SELLERS IN SECTION 4.20, SELLERS EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE) AS TO (a) TITLE OF THE ASSETS; (b) PRODUCTION RATES, DECLINE RATES, THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF MINERALS, IF ANY, ATTRIBUTABLE TO THE COMPANIES' INTEREST IN ANY OF THE ASSETS; (c) THE CONTENTS, CHARACTER, NATURE, ACCURACY, COMPLETENESS OR MATERIALITY OF ANY RECORDS, INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED TO BUYER BY OR ON BEHALF OF SELLERS AT ANY POINT IN TIME, BEFORE, ON OR AFTER THE EXECUTION DATE, INCLUDING (i) ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (ii) ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS

OR STATEMENTS PREPARED BY THIRD PARTIES, AND (iii) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO BUYER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO; (d) THE ENVIRONMENTAL CONDITION AND OTHER CONDITION OF THE ASSETS AND ANY POTENTIAL LIABILITY ARISING FROM OR RELATED TO THE ASSETS; AND (e) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE PROCEEDS THEREFROM, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT BUYER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS AND CONDITION “AS IS” AND “WHERE IS”, WITH ALL FAULTS AND DEFECTS, AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. EXCEPT FOR SELLERS’ REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 4.18, (X) SELLERS HAVE NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND (Y) BUYER SHALL BE DEEMED TO BE TAKING THE ASSETS “AS IS” AND “WHERE IS” WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS BUYER DEEMS APPROPRIATE AND BUYER HEREBY WAIVES AND DISCLAIMS ANY STATUTORY OR COMMON LAW RIGHTS UNDER ANY ENVIRONMENTAL LAWS. THE PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED BY SOPHISTICATED COUNSEL IN CONNECTION WITH THE NEGOTIATION AND EXECUTION OF THIS AGREEMENT, INCLUDING THIS SECTION 5.18, AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. SELLERS AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION 5.18 ARE “CONSPICUOUS” DISCLAIMERS FOR THE PURPOSES OF ANY LAW, RULE OR ORDER.

ARTICLE 6

Covenants

6.1 Conduct of Business.

(a) Operations before Closing. Except for amendments, extensions, modifications or executions of Oil and Gas Leases in the ordinary course as provided in this Agreement, during the period from the Execution Date until the Closing Date (unless this Agreement is earlier terminated), without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed, Sellers shall cause the Companies to manage,

own, and operate the Assets in the ordinary course consistent with past practices and to maintain the books of accounts and Records of the Companies in the ordinary course of business, in accordance with its usual accounting practices.

(b) Restricted Activities. Except as (w) set forth on Schedule 6.1(b), (x) consented to by Buyer in writing (which consent, except with respect to Section 6.1(b)(i), shall not be unreasonably withheld, conditioned or delayed), (y) in connection with the Company Reorganization, or (z) contemplated by this Agreement, during the period from the Execution Date until the Closing Date (unless this Agreement is earlier terminated), no Seller shall (nor shall Sellers permit a Company to): (i) transfer, issue, pledge, grant, dispose of, encumber, deliver, redeem or sell any Purchased Interests held by such Seller, or authorize any such action; (ii) amend in any material respect or adopt any material change to, or waive any material rights under, any Organizational Documents of either Company; (iii) form a Subsidiary of either Company; (iv) sell, transfer, mortgage, pledge, intentionally abandon or dispose of any of the Assets (other than the sale of Hydrocarbons in the ordinary course); (v) agree, whether in writing or otherwise, to sell, transfer, mortgage, pledge, abandon or dispose of any of the Assets (other than the sale of Hydrocarbons in the ordinary course); (vi) fail to maintain any Permit required for the Companies' ownership of the Oil and Gas Assets in full force and effect, including filing with the appropriate Governmental Authority any applications necessary for renewal of such Permits; (vii) execute, terminate, cancel, extend or materially amend or modify any Material Contract (or any Contract that, as a result of actions described in this clause (vii), would become a Material Contract); (viii) commence, propose or agree to participate in any development operation with respect to the Oil and Gas Assets; (ix) enter into any Contract (A) that restrains, limits or impedes a Company's ability to compete with or conduct any business or line of business, including geographic limitations on such Company's activities, or (B) with Sellers or an Affiliate of Sellers, in each case other than Contracts that will be terminated prior to Closing with no ongoing liability applicable to the Company; (x) terminate, cancel, materially amend or materially modify any oil, gas and/or Hydrocarbon lease or other instrument creating or evidencing an interest in Hydrocarbons, or voluntarily and affirmatively release any material right with respect to the foregoing; (xi) enter into, execute or extend any oil gas and/or Hydrocarbon leases; (xii) distribute or pay any cash or other property of any Company to any Seller or any of its Affiliates after 12:01 a.m. Central Time on the Closing Date; or (xiii) enter into any agreement with respect to any of the foregoing.

(c) Operation of Business of Buyer Parties. Except as (x) consented to by Sellers in writing (which consent shall not be unreasonably withheld, conditioned or delayed) or (y) contemplated by this Agreement, during the period from the Execution Date until the Closing Date (unless this Agreement is earlier terminated), neither Buyer Party shall (nor shall any Buyer Party permit any of its Affiliates to): (i) amend in any material respect or adopt any material change to, or waive any material rights under, any Organizational Documents of such Buyer Party; (ii) change in any material respect the material accounting principles, practices or methods of such Buyer Party, except as required by the accounting principles or statutory accounting requirements or similar principles in non-U.S. jurisdictions; (iii) adopt any plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization or otherwise effect any transaction whereby any Person or group (other

than an Affiliate of any Buyer Party) acquires more than a majority of the outstanding Equity Interests of such Buyer Party; (iv) make any voluntary election to or take any action that would result in a change of the tax classification of Buyer from other than a partnership for U.S. federal and applicable state and local tax purposes; or (v) enter into any agreement with respect to any of the foregoing.

6.2 **Records.** Each Seller, at Buyer's cost and expense, shall make available copies of all Records to Buyer within 30 days after the Closing. With respect to any Records delivered to Buyer, Buyer shall preserve and retain any such Records for at least seven years beyond the Closing Date, during which seven-year period such Sellers shall be entitled to obtain access to such Records, at reasonable business hours and upon prior notice to Buyer, so that such Sellers may make copies of such Records, at its own expense, including as may be reasonable or necessary for Tax purposes or in connection with any Proceeding or threatened Proceeding against any such Seller.

6.3 **Further Assurances.** Subject to the terms and conditions of this Agreement, each Party will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or desirable, under applicable Law or otherwise, to consummate the transactions contemplated by this Agreement. The Parties agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement in accordance with the terms of this Agreement.

6.4 **Fees and Expenses.** Except to the extent otherwise expressly provided in this Agreement, all fees and expenses, including fees and expenses of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the Party incurring such fee or expense. Sellers shall not cause or permit any Company to be responsible for any such fees or expenses.

6.5 **Cooperation Regarding Financial Information.** During the period beginning on the Execution Date and ending on the first anniversary of the Closing Date (the "**Cooperation Period**"), each Seller shall reasonably cooperate with Parent and its Representatives, at Parent's sole cost and expense, in connection with the preparation by Parent of any statements, forms, schedules, reports or other documents filed or furnished with the Commission or any other Governmental Authorities as are required of Parent (or its potential successors) under applicable Law, which involve or otherwise incorporate the Assets. In addition, Sellers shall use commercially reasonable efforts to deliver to Parent the unaudited financial statements of TWR IV for the nine month periods ended September 30, 2024 and 2023, prepared in accordance with GAAP, as soon as reasonably practicable but in no event later than 60 days after the Closing Date. During the Cooperation Period, Sellers shall provide Parent and its Representatives reasonable access during normal business hours to such historic financial statements, records (with respect to the period after Closing, solely to the extent the Companies do not have such information, and such information is available), and personnel of Sellers and their accounting firms as Parent may reasonably request to enable Parent and its Representatives, to confirm the

accuracy of any financial information provided. During the Cooperation Period, Sellers shall use their commercially reasonable efforts to cause their personnel and shall request their independent auditors, reserve engineers and other applicable consultants or service providers, to reasonably cooperate with Parent and its Representatives in the interpretation, preparation and disclosure of any such financial information in accordance with this Section 6.5, as well as the delivery of any requested comfort letters related thereto. Notwithstanding anything to the contrary, such assistance shall not include any actions that Sellers reasonably believe would result in a violation of any material agreement or any confidentiality arrangement or the loss of any legal or other applicable privilege. All of the information provided by Sellers and their Affiliates pursuant to this Section 6.5 is given without any representation or warranty, express or implied, and neither Sellers nor any of their Affiliates or their respective accountants shall have any liability or responsibility with respect thereto. Parent shall promptly reimburse Sellers for all reasonable and documented Third Party costs and expenses incurred by Sellers and their Affiliates (a) in compliance with this Section 6.5 and (b) with respect to the review of the Financial Statements set forth in Section 4.5(a)(ii) and Section 4.5(a)(iii) of the definition thereof. Notwithstanding anything in this Agreement to the contrary, except to the extent that any such failure is caused by a willful and intentional breach by a Seller or its Company of this Section 6.5, in no event will any failure by such Seller or its Company to comply with this Section 6.5 be used by Buyer as a basis to (A) terminate this Agreement, (B) assert the failure of any of Buyer's conditions to Closing to be satisfied, (C) assert that a Seller is not entitled to terminate this Agreement under the circumstances set forth in Section 10.1 or (D) assert any claim for Losses under this Agreement.

6.6 Restrictions on Transfer of OpCo Units.

(a) In addition to the restrictions on transfer set forth in Buyer's Organizational Documents, after the Closing, TWR IV shall not transfer any OpCo Units held by TWR IV other than (i) pursuant to an Exchange in accordance with the terms of the Second A&R Exchange Agreement and Buyer's Organizational Documents and (ii) transfers of all OpCo Units then held by TWR IV to any one Affiliate of TWR IV (it being understood that in no event shall more than one Person hold such OpCo Units). Any transfer of OpCo Units in violation of this Section 6.6 will be void *ab initio*.

(b) For purposes of this Section 6.6 "**transfer**" means the assignment or transfer of all or any part of an OpCo Unit to another Person and includes a sale, assignment, gift, distribution, pledge, exchange or any other disposition by Law or otherwise, including any transfer upon foreclosure or other exercise of remedies of any pledge, security interest, encumbrance, hypothecation or mortgage.

6.7 Lock-Up. For a period commencing on the Closing Date and ending on the date that is six months following the Closing Date, TWR IV agrees not to (a) offer for sale, sell, pledge, lend, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any Person at any time in the future of) any Viper Shares, (b) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such Viper Shares (or of

the OpCo Units held by TWR IV), whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Viper Shares or other securities, in cash or otherwise, or (c) publicly disclose the intention to do any of the foregoing, in each case without the prior written consent of Parent. Any action contemplated by this Section 6.7 shall also be subject to the applicable terms and restrictions set forth in (i) Parent's Organizational Documents, (ii) the Class B Common Stock Option Agreement, (iii) the Second A&R Exchange Agreement, (iv) the Registration Rights Agreement, and (v) any other written agreement entered into among Parent and its equity holders.

6.8 Change of Name. Notwithstanding any other provision of this Agreement to the contrary, from and after Closing, each Buyer Party agrees, on behalf of the Companies, that it and they (a) shall have no right to use the names "Tumbleweed Royalties", "Tumbleweed" or any similar name or any intellectual property rights related thereto or containing or comprising of any of the foregoing, including any name or mark confusingly similar thereto or a derivative thereof (collectively, the "**Subject Marks**"), and (b) will not at any time hold themselves out as having any affiliation with any Seller or any of its Affiliates. In furtherance thereof, Buyer shall within sixty (60) days after the Closing Date, file all documentation reasonably necessary to change the legal name of each Company with all applicable Governmental Authorities in all applicable jurisdictions.

6.9 Indemnification of Directors and Officers.

(a) For a period of six (6) years from and after the Closing Date, each Company shall indemnify and hold harmless (and advance funds in respect of each), in the same manner (and no broader than) as required by the Organizational Documents of such Company immediately prior to the Execution Date, each present and former director, manager, officer and employee of such Company (in all of their capacities as such with respect to the Company) (collectively, the "**Company Indemnified Parties**"), against any costs or expenses (including reasonable attorneys' fees and expenses and disbursements), judgments, fines, Losses, claims, damages or liabilities incurred in connection with any Proceeding, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such Company Indemnified Party is or was a director, manager, officer or employee of such Company, whether asserted or claimed prior to, at or after the Effective Time (including with respect to acts or omissions by directors or officers of such Company in their capacities as such arising in connection with the transactions contemplated hereby), and shall provide advancement of expenses to the Company Indemnified Parties, in all such cases to the same extent that (and no broader than) such Persons are indemnified or have the right to advancement of expenses as of the Execution Date by such Company pursuant to the Organizational Documents of such Company and indemnification agreements, if any, in existence on the Execution Date (each of which have been made available to Buyer).

(b) Buyer and each Company agree that, until the six (6) year anniversary date of the Closing Date, the Organizational Documents of each Company shall contain provisions no less favorable with respect to indemnification of Company Indemnified Parties than are provided in the Organizational Documents of the applicable members of the Company Indemnified Parties

in existence on the Execution Date, which provisions shall not be amended, repealed or otherwise modified after the Closing in any manner that would adversely affect the rights thereunder of any Company Indemnified Parties with respect to indemnification or advancement of expenses unless such amendment, modification or repeal is required by applicable Law.

(c) At or prior to the Closing, Sellers shall cause the Companies to obtain (and before Closing fully prepay) a “tail” policy from an insurer with substantially the same or better credit rating as the current carrier(s) for the existing directors’ and officers’ insurance of the Companies that provides coverage for acts or omissions occurring on or prior to the Closing Date covering each such Person covered by the directors’ and officers’ insurance of the Companies as of the Execution Date on terms with respect to coverage and in amounts no less favorable in the aggregate than the directors’ and officers’ insurance of the Companies in effect on the Execution Date and with a term of six (6) years from the Closing Date. From and after the Closing, Buyer shall cause such policy to be maintained in full force and effect, for its full term, and cause all obligations thereunder to be honored by the Company.

(d) The provisions of this Section 6.9 are (i) intended to be for the benefit of, and will be enforceable by, each Company Indemnified Party and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by Contract or otherwise. To the extent provided in the Organizational Documents of the Applicable Company in effect as of the Execution Date, such Company shall pay all reasonable out-of-pocket expenses, including reasonable attorneys’ fees, that may be incurred by any Company Indemnified Party in enforcing the indemnity obligations provided in this Section 6.9 unless it is ultimately determined pursuant to the Organizational Documents of such Company in effect as of the Execution Date that such Company Indemnified Party is not entitled to such indemnity.

(e) For a period of six (6) years after the Closing Date, if Buyer or either Company, or any of their respective successors or assigns, (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation, limited liability company, partnership or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, to the extent not assumed by operation of law, Buyer shall require the successors and assigns of such Person assume the indemnification obligations set forth in this Section 6.9.

ARTICLE 7

Tax Matters

7.1 Tax Returns.

(a) Sellers shall prepare and file or cause to be prepared and filed all Seller Combined Group Returns required to be filed after the Closing Date. Any such Seller Combined Group Return shall be prepared on a basis consistent with past practice except to the extent otherwise required by applicable Law. Sellers will cause any such Seller Combined Group Returns to be timely filed and timely pay or cause to be paid any and all Taxes shown due thereon.

(b) Buyer shall prepare or cause to be prepared all Tax Returns (other than Seller Combined Group Returns) of the Companies for any Pre-Effective Time Tax Period that are required to be filed after the Closing Date. Such Tax Returns shall be prepared on a basis consistent with past practice except to the extent otherwise required by applicable Law. At least 15 days in advance of the due date for filing of any such Tax Returns, Buyer shall deliver a draft of such Tax Returns, together with all supporting documentation and workpapers, to Sellers for their review and reasonable comment. Buyer shall (i) cause such Tax Returns (as revised to incorporate Sellers' reasonable comments) to be timely filed and will provide a copy thereof to Sellers and (ii) without limiting Buyer's right to indemnification pursuant to Section 11.1(d), timely pay or cause to be paid any and all Taxes shown due thereon. Sellers shall reimburse Buyer for the amount of any such Taxes that are Pre-Effective Time Asset Taxes that are Seller Taxes within seven (7) Business Days after such payment to the applicable Governmental Authority.

(c) The Parties agree that this Section 7.1 is intended to solely address the timing and manner in which certain Tax Returns and Taxes shown thereon are paid to the applicable Governmental Authority, and nothing in this Section 7.1 shall be interpreted as altering the manner in which such Taxes are allocated to and economically borne by the Parties.

7.2 Proration of Taxes.

(a) Sellers shall be allocated and bear all Pre-Effective Time Asset Taxes, and Buyer shall be allocated and bear all Post-Effective Time Asset Taxes. TWR IV and TWR SellCo, as applicable, shall be allocated and bear any Taxes shown on a Seller Combined Group Return of which any Company was included.

(b) For purposes of allocating Pre-Effective Time Asset Taxes and Post-Effective Time Asset Taxes, (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons (other than Asset Taxes described in clause (iii) below) shall be allocated based on severance or production occurring before the Effective Time (which shall be Sellers' responsibility) or from and after the Effective Time (which shall be Buyer's responsibility); (ii) Asset Taxes that are based upon or related to sales or receipts or imposed on a transactional basis (other than such Asset Taxes described in clause (i) or clause (iii)) shall be allocated based on the transactions giving rise to such Asset Taxes occurring before the Effective Time (which shall be Sellers' responsibility) and from or after the Effective Time (which shall be Buyer's responsibility); and (iii) Asset Taxes that are ad valorem, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated *pro rata* per day between the portion of such Straddle Period ending immediately prior to the date on which the Effective Time occurs (which shall be Sellers' responsibility) and the portion of the Straddle Period beginning on the date on which the Effective Time occurs (which shall be Buyer's responsibility). For purposes of clause (iii) of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

(c) To the extent the actual amount of an Asset Tax is not known at the time an adjustment is to be made with respect to such Asset Tax pursuant to Section 2.3, Section 2.4 or Section 2.7, as applicable, the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment. To the extent the actual amount of an Asset Tax (or the amount thereof paid or economically borne by a Party) is ultimately determined to be different than the amount (if any) that was taken into account in the final determination of the Purchase Price as finally determined pursuant to Section 2.7, timely payments will be made from one Party to the applicable other Party to the extent necessary to cause each Party to bear the amount of such Asset Tax that is allocable to such Party under this Section 7.2; provided, that any such payments made by any Seller shall be treated as Seller Taxes of such Seller for purposes of Article 11 and shall be subject to limitation in accordance therewith.

7.3 **Transfer Taxes.** Buyer shall be responsible for, pay and indemnify Sellers against (a) any state or local transfer, sales, use, stamp, registration or other similar Taxes resulting from the transactions contemplated by this Agreement, other than the Company Reorganization (collectively, “**Transfer Taxes**”), and (b) all required filing and recording fees and expenses in connection with the filing and recording of the assignments, conveyances or other instruments required in connection with the transactions contemplated by this Agreement, other than the Company Reorganization. Buyer and Sellers shall cooperate to minimize, to the extent permitted by applicable Law, the amount of any such Transfer Taxes.

7.4 **Cooperation.** Buyer and Sellers shall cooperate, as and to the extent reasonably requested by the other Party, in connection with the preparation and filing of Tax Returns and any audit, litigation or other Proceeding, in each case, with respect to Taxes attributable to the Assets or the Companies. Such cooperation shall include the retention and (upon the other Party’s request) the provision of records and information (including applicable Tax basis information related to the assets of each Company) that are reasonably relevant to any such preparation and filing of Tax Returns, audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Parties agree to retain all books and records with respect to Tax matters pertinent to the Assets and the Companies relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Sellers, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Governmental Authority.

7.5 **Post-Closing Covenants.** Without the prior written consent of Sellers (which consent shall not to be unreasonably withheld, conditioned or delayed), Buyer shall not (and shall cause its Affiliates (including, after the Closing, the Companies) not to), with respect to Pre-Effective Time Asset Taxes or with respect to Taxes attributable to any Seller Combined Group, (a) extend or waive the applicable statute of limitations; (b) file any ruling or request with any taxing authority; (c) initiate any discussion with any taxing authority regarding a voluntary disclosure or enter into any voluntary disclosure with any taxing authority; (d) amend, modify, supplement or re-file any Tax Return; (e) settle or compromise any audit, examination, Proceeding or proposed adjustments; (f) make any Tax election that relates to, or is retroactive

to, a Pre-Effective Time Tax Period with respect to Asset Taxes or with respect to Taxes attributable to a Seller Combined Group; (g) surrender any right to claim a refund of Taxes; (h) change any method of accounting with respect to Taxes or (i) effect or engage in any transaction or other action occurring on the Closing Date after the Closing outside the ordinary course of business.

7.6 **Refunds.** Each Seller shall be entitled to any refunds (and credits in lieu thereof) with respect to any Pre-Effective Time Asset Taxes attributable to such Seller's Applicable Company and Taxes attributable to such Seller's Seller Combined Group, and Buyer shall be entitled to refunds with respect to any Post-Effective Time Asset Taxes. If a Party or its Affiliates receives a refund of Taxes (or realizes a benefit attributable to any credit in lieu of a refund) to which the other Party is entitled pursuant to this Section 7.6, such recipient Party shall forward to the entitled Party the amount of such refund within 15 days after such refund is received, net of any reasonable out-of-pocket costs or expenses incurred by such recipient Party in procuring such refund.

7.7 **Tax Proceedings.**

(a) Subject to Section 7.7(b), if, after the Closing Date, a Party or an Affiliate of such Party (including any Company) receives notice of an audit, examination, or Proceeding (including any request for an extension of the statute of limitations to assess Tax) with respect to any Asset Taxes of any Company with respect to a Tax period ending before the Effective Time or any Tax Returns relating thereto (a "**Seller Tax Contest**"), such Party shall notify the other Parties within ten (10) days of receipt of such notice; provided that the failure to provide such notice shall not relieve the first Party of its obligations under this Agreement, except to the extent such failure results in insufficient time being available to permit the other Party to effectively defend against such Seller Tax Contest. The applicable Seller shall have the option, at its sole cost and expense, to control any such Seller Tax Contest and may exercise such option by providing written notice to Buyer within ten (10) days of receiving notice of such Seller Tax Contest from Buyer; provided that such Seller shall (1) keep Buyer reasonably informed of the progress of such Seller Tax Contest, (2) permit Buyer (or Buyer's counsel) to participate, at Buyer's sole cost and expense, in such Seller Tax Contest, including in meetings with the applicable Governmental Authority and (3) not settle, compromise and/or concede such portion of such Seller Tax Contest without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed. Sellers shall be entitled to control any audit, examination or Proceeding (including any extension of the statute of limitations to assess Tax) with respect to any Taxes of the Seller Combined Group and any Seller Combined Return, and, after the Closing, the Company or the Buyer, as applicable, shall notify the Seller within ten (10) days of its receipt of notice of any such audit, examination or Proceeding. Each Seller shall not be required to obtain the prior written consent of Buyer before settling, compromising and/or conceding any portion of any audit, examination or Proceeding (including any extension of the statute of limitations to assess Tax) relating to any Taxes of such Seller's Seller Combined Group and such Seller's Seller Combined Group Returns.

(b) If, after the Closing Date, a Party or an Affiliate of such Party (including a Company) receives notice of an audit, examination, or Proceeding (including any request for an extension of the statute of limitations to assess Tax) with respect to any Asset Taxes of the Company related to a Straddle Period or any Tax Returns relating thereto (a “**Straddle Period Tax Contest**”), such Party shall notify the other Parties within ten (10) days of receipt of such notice; provided that the failure to provide such notice shall not relieve the first Party of its obligations under this Agreement, except to the extent such failure results in insufficient time being available to permit the other Party to effectively participate in the defense against such Straddle Period Tax Contest. Buyer shall control any Straddle Period Tax Contest; provided that Buyer shall (x) keep the applicable Seller reasonably informed of the progress of such Straddle Period Tax Contest, (y) permit such Seller (or such Seller’s counsel) to participate, at such Seller’s sole cost and expense, in such Straddle Period Tax Contest, including in meetings with the applicable Governmental Authority, and (z) not settle, compromise and/or concede any portion of such Straddle Period Tax Contest without the prior written consent of such Seller, which consent shall not be unreasonably withheld, conditioned or delayed.

7.8 Tax Matters.

(a) Tax Treatment. For U.S. federal and applicable state and local income tax purposes, the Parties agree that (a) the transactions contemplated by this Agreement with respect to the TWR IV Purchased Interest shall be treated as (i) in part, a contribution of an undivided interest in each of the assets of TWR IV Target in exchange for OpCo Units in a transaction governed by Section 721(a) of the Code (the assets contributed in exchange for OpCo Units, the “**Contributed Assets**”) and (ii) in part, (A) as a reimbursement of TWR IV’s preformation capital expenditures (within the meaning of Treasury Regulation Section 1.707-4(d)), and (B) to the extent that clause (A) is inapplicable, as a disguised sale by TWR IV of an undivided interest in each of the Assets of TWR IV to Buyer in exchange for cash consideration in a transaction governed by Section 707(a)(2)(B) of the Code, and (b) the transaction contemplated by this Agreement with respect to the TWR IV SellCo Purchased Interest as a taxable sale of Assets by TWR IV SellCo to Buyer under Section 1001 of the Code (collectively, the “**Intended Tax Treatment**”). Each Party shall not, and shall cause their respective Affiliates not to, take any position inconsistent with the Intended Tax Treatment on any Tax Return or in connection with any Tax Proceeding, unless otherwise required pursuant to a “determination” within the meaning of Section 1313(a) of the Code (or any similar provision of applicable U.S. state or local or non-U.S. Law); provided, however, that none of Parties shall be unreasonably impeded in its ability and discretion to negotiate, compromise and settle any Tax audit, claim or similar proceedings in connection with the Intended Tax Treatment.

(b) Contributed Asset Allocations. Except as otherwise agreed in writing by TWR IV and Buyer, income, gain, deduction and credit of Buyer with respect to any Contributed Assets having a fair market value at the time of contribution to Buyer that differs from such Contributed Asset’s adjusted U.S. federal income Tax basis (such differences, the “**Book-Tax Disparities**”) shall, solely for U.S. federal income Tax purposes, be allocated among the members of Buyer in order to account for any such Book-Tax Disparities attributable to such Contributed Assets as of the date of the Closing using the “traditional method with curative

allocations” described in Treasury Regulation Section 1.704-3(c) solely using curative items of depletion. The Parties agree to cause the Buyer to incorporate this Section 7.8(b) into the Third A&R Buyer LLCA, and each Party shall not, and shall cause their respective Affiliates not to, take any position inconsistent with the this Section 7.8(b) on any Tax Return or in connection with any Tax Proceeding, unless otherwise required pursuant to a “determination” within the meaning of Section 1313(a) of the Code (or any similar provision of applicable U.S. state or local or non-U.S. Law).

(c) Buyer Tax Reporting.

(i) Following Closing, Buyer shall use commercially reasonable efforts to deliver to TWR IV, on or before February 28 of each calendar year, an estimated Internal Revenue Service Schedule K-1 (including corresponding state and local information, as applicable) reflecting the Buyer’s operations for the prior fiscal year. The Parties agree to cause the Buyer to incorporate this Section 7.8(c)(i) into the Third A&R Buyer LLCA.

(ii) For any taxable period that includes an exchange of OpCo Units by TWR IV pursuant to the Second A&R Exchange Agreement, Buyer shall deliver, reasonably in advance of the due date for the U.S. federal income Tax Return for such period, a draft of such Tax Return (including Internal Revenue Service Schedule K-1 and any statements required under Treasury Regulations Section 1.751-1(a)(3) and any allocation required under Section 755 of the Code) for TWR IV’s review and reasonable comment solely with respect to any items of such Tax Return related to TWR IV’s calculation of its gain or loss attributable to such exchange of OpCo Units, and Buyer shall consider any such reasonable comments in the preparation of such Tax Return. The Parties agree to cause Buyer to incorporate this Section 7.8(c)(ii) into the Second A&R Exchange Agreement.

ARTICLE 8
Conditions to Closing

8.1 **Conditions to Obligations of Buyer to Closing.** The obligation of Buyer to consummate the transactions contemplated by this Agreement at the Closing is subject to the satisfaction of the following conditions:

(a) Representations, Warranties and Covenants. (i) The Sellers’ Fundamental Representations shall be true and correct in all respects as of the Execution Date and as of the Closing Date as if made on the Closing Date (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date), except to the extent the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, be reasonably expected to result in more than de minimis Losses to Buyer; (ii) the representations and warranties of each Seller made in Article 3 and Article 4 of this Agreement other than the Fundamental Representations (disregarding all materiality and Material Adverse Effect qualifications applicable to such representations and warranties) shall be true and correct

as of the Closing Date as if made on the Closing Date (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date), except where all such breaches taken collectively would not have, or would not reasonably be expected to have a Material Adverse Effect; and (iii) each Seller shall have performed or complied with, in all material respects, all of the covenants and agreements required by this Agreement to be performed or complied with by such Seller on or before the Closing.

(b) No Injunction. No provision of any applicable Law and no Order will be in effect that prohibits or makes illegal the consummation of the Closing.

(c) Closing Deliverables. Each Seller shall be ready, willing, and able to deliver to Buyer and/or Parent at the Closing the documents and items required to be delivered by each such Seller under Section 2.6.

8.2 **Conditions to Obligations of Sellers to Closing**. The obligation of Sellers to consummate the transactions contemplated by this Agreement at the Closing is subject to the satisfaction of the following conditions:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of the Buyer Parties made in this Agreement (disregarding all materiality qualifications applicable to such representation or warranty) will be true and correct in all material respects as of the Closing Date as if made on the Closing Date (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date); and (ii) the Buyer Parties shall have performed or complied with, in all material respects, all of the covenants and agreements required by this Agreement to be performed or complied with by the Buyer Parties on or before the Closing.

(b) No Injunction. No provision of any applicable Law and no Order will be in effect that prohibits or make illegal the consummation of the Closing.

(c) Closing Deliverables. Buyer and/or Parent shall be ready, willing, and able to deliver to the at the Closing the documents and items required to be delivered by Buyer and/or Parent under Section 2.6.

ARTICLE 9

Title Matters

9.1 Title Defect Notices.

(a) Prior to the Execution Date, Buyer has conducted customary title due diligence on the Oil and Gas Assets at the sole cost, risk and expense of Buyer.

(b) Buyer is deemed to have forever waived and shall have no right to assert any Title Defects as the basis for an adjustment to the Base Purchase Price (without waiving any claim under the special warranty of Defensible Title set forth in Section 4.20). As used in this Agreement, “**Allocated Value**” means the Dollar value(s) set forth on Exhibit A-1 for each Tract and Exhibit A-2 for each Well. Sellers and Buyer have accepted such Allocated Values for purposes of determining any Title Defect Amounts but otherwise make no representation or warranty as to the accuracy of such values.

9.2 Title Defect Amounts; Limitations. The reduction in the Allocated Value of an Oil and Gas Asset resulting from a Title Defect (the “**Title Defect Amount**”) shall be determined as follows:

(a) if Buyer and Sellers agree on the Title Defect Amount, that amount shall be the Title Defect Amount;

(b) if the Title Defect is a Lien that is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the Company’s interest in the affected Oil and Gas Asset;

(c) if the Title Defect represents a discrepancy between (A) the actual NRAs for any Tract as to a particular Target Formation, and (B) the NRAs stated on Exhibit A-1 for such Tract at such Target Formation, then the Title Defect Amount shall be the product of (x) the Allocated Value of such Tract at such Target Formation set forth on Exhibit A-1, *multiplied by* (y) a fraction (1) the numerator of which is the difference between (X) the NRAs for such Tract at such Target Formation as stated on Exhibit A-1, and (Y) the actual NRAs held by the Company for such Tract at such Target Formation and (2) the denominator of which is the NRAs stated on Exhibit A-1 for such Tract at such Target Formation; provided that if the Title Defect does not affect the Tract throughout its entire productive life, the Title Defect Amount determined under this Section 9.2(c) shall be reduced to take into account the applicable time period only;

(d) if the Title Defect represents a discrepancy between (A) the actual Net Revenue Interest for any Well and (B) the Net Revenue Interest set forth on Exhibit A-2 for such Well, then the Title Defect Amount shall be the product of (x) the Allocated Value of such Well, *multiplied by* (y) a fraction (1) the numerator of which is the absolute value of the amount of such discrepancy and (2) the denominator of which is the Net Revenue Interest set forth on Exhibit A-2 for such Well; provided that if the Title Defect does not affect the Well throughout its entire productive life, the Title Defect Amount determined under this Section 9.2(d) shall be reduced to take into account the applicable time period only;

(e) if the Title Defect represents an obligation, encumbrance, burden or charge upon or other defect in title to the Oil and Gas Asset of a type not described in clause (a), clause (b), clause (c) or clause (d) above, the Title Defect Amount shall be determined by taking into account the Allocated Value of the affected Oil and Gas Asset, the portion of such Oil and Gas Asset adversely affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of such Oil and Gas Asset, the values placed

upon the asserted Title Defect by Buyer and Sellers and such other factors as are necessary to make a proper evaluation;

(f) the Title Defect Amount with respect to a Title Defect shall be determined without duplication of any costs or Losses included in another Title Defect Amount or adjustment to the Base Purchase Price under this Agreement; and

(g) in no event shall the total Title Defect Amounts related to a particular Oil and Gas Asset exceed the Allocated Value of such Oil and Gas Asset.

9.3 Acceptance of Title Condition; Sole and Exclusive Remedy. EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE SET FORTH IN SECTION 4.20, BUYER REPRESENTS AND WARRANTS THAT IT HAS BEEN PROVIDED WITH THE OPPORTUNITY TO CONFIRM THE COMPANY'S DEFENSIBLE TITLE TO THE OIL AND GAS ASSETS AND UPON CLOSING, BUYER WILL ACCEPT THE OIL AND GAS ASSETS AT CLOSING IN THEIR PRESENT CONDITION, "AS IS AND WHERE IS AND WITH ALL FAULTS." BUYER ACKNOWLEDGES AND AGREES THAT THE ONLY REPRESENTATIONS AND COVENANTS BEING MADE BY SELLERS WITH RESPECT TO THE COMPANY'S TITLE AND RIGHTS TO THE OIL AND GAS ASSETS AND OTHERWISE IN CONNECTION WITH TITLE MATTERS TO THE OIL AND GAS ASSETS ARE SET FORTH IN THIS ARTICLE 9 OR SECTION 4.20, AND BUYER'S SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO TITLE TO THE ASSETS (A) PRIOR TO THE CLOSING, SHALL BE AS SET FORTH IN THIS ARTICLE 9 AND (B) FROM AND AFTER THE CLOSING, SHALL BE, SUBJECT TO ANY LIMITATIONS CONTAINED IN THIS AGREEMENT, PURSUANT TO THE CONTRACTUAL SPECIAL WARRANTY OF DEFENSIBLE TITLE SET FORTH IN SECTION 4.20.

ARTICLE 10

Termination

10.1 **Termination.** At any time prior to the Closing, this Agreement may be terminated and the transactions contemplated by this Agreement abandoned:

(a) by the mutual consent of Buyer and Sellers as evidenced in writing signed by the Buyer and Sellers;

(b) by Buyer, upon Notice to Sellers, if there has been a material breach by Sellers of any representation, warranty or covenant contained in this Agreement that has prevented or would prevent the satisfaction of any condition to the obligations of Buyer to consummate the transactions contemplated by this Agreement set forth in Section 8.1 and, if such breach is of a character that it is capable of being cured, such breach has not been cured by such Sellers within ten days after delivery of a Notice of such breach from Buyer;

(c) by Sellers, upon Notice to Buyer, if there has been a material breach by any Buyer Party of any representation, warranty or covenant contained in this Agreement that has prevented or would prevent the satisfaction of any condition to the obligations of Sellers to consummate the transactions contemplated by this Agreement set forth in Section 8.2 and, if such breach is of a character that it is capable of being cured, such breach has not been cured by such Buyer Party within ten days after delivery of a Notice of such breach from Sellers;

(d) by either Buyer or Sellers, upon Notice to the other Party, if any Governmental Authority having competent jurisdiction has issued a final, non-appealable Order, decree, ruling or injunction (other than a temporary restraining order) or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement;

(e) by Sellers, upon Notice to Buyer, if Buyer has not funded the Performance Deposit by 5:00 p.m. Central Time on the date that is two (2) Business Days after the Execution Date as provided in Section 2.2(b); or

(f) by either Buyer or Sellers, upon Notice to the other Party, if the transactions contemplated at the Closing have not been consummated by October 31, 2024 (the “**Outside Date**”).

Notwithstanding the foregoing provisions of this Section 10.1, (x) Buyer may not terminate this Agreement under Section 10.1(b) or Section 10.1(f) at any time when any Buyer Party is in material breach of this Agreement that would give rise to the failure of any of the conditions specified in Article 8, (y) Sellers may not terminate this Agreement under Section 10.1(c) or Section 10.1(f) at any time when Sellers are in material breach of this Agreement that would give rise to the failure of any of the conditions specified in Article 8.

10.2 Effect of Termination. In the event of any termination of this Agreement, other than as set forth in this Section 10.2, (a) this Agreement shall forthwith become void and of no further force or effect (except that this Section 10.2, Section 6.4, Buyer’s obligation to reimburse Sellers for all reasonable and documented Third Party costs and expenses incurred by Sellers in compliance with Section 6.5 and Article 12 shall survive the termination of this Agreement, along with defined terms in Section 1.1 to the extent applicable to such provisions, and shall be enforceable by the Parties) and (b) there shall be no liability or obligation on the part of Buyer or Sellers to any other Party with respect to this Agreement.

10.3 Remedies for Termination.

(a) If (i) all conditions precedent to the obligations of Buyer set forth in Section 8.1 have been satisfied or waived in writing by Buyer (or would have been satisfied except for the breach described in clause (ii) of this Section 10.3(a)) and (ii) the Closing has not occurred solely as a result of the material breach of any of any Buyer Party’s representations or warranties, such that the condition to Closing set forth in Section 8.2(a) is not satisfied, or the material breach or failure of any of any Buyer Party’s covenants hereunder, such that the condition to Closing set forth in Section 8.2(a) is not satisfied, including, if and when required,

the Buyer Party's obligations to consummate the transactions contemplated hereunder at the Closing, then Sellers shall have the right to elect either (A) to terminate this Agreement, in which case the Parties shall execute and deliver a joint instruction to Escrow Agent within three (3) Business Days of such termination requiring Escrow Agent to disburse the Performance Deposit (together with any interest accrued thereon) to Sellers as Sellers' sole and exclusive remedy and liquidated damages and not as a penalty or (B) in lieu of terminating this Agreement, seek specific performance of this Agreement; provided, that if Sellers seek specific performance pursuant to the preceding clause (B) but is unable to recover therefor from a court of competent jurisdiction, Sellers may thereafter elect to terminate this Agreement and receive, (x) with respect to TWR IV, the TWR IV Percentage of the Performance Deposit and (y) with respect to TWR IV SellCo, the TWR IV SellCo Percentage of the Performance Deposit, in each case, together with any interest accrued thereon as liquidated damages pursuant to clause (A). Each Buyer Party waives any requirement for the posting of a bond or showing of irreparable injury in connection with any equitable relief hereunder in favor of Sellers, and each Buyer Party agrees not to challenge any such equitable relief sought in accordance with this Section 10.3(a) as a remedy with respect to Seller's rights under this Section 10.3(a) (without limiting such Buyer Party's ability to challenge or dispute the existence or extent of any alleged breach or failure of such Buyer Party's representations, warranties, covenants or conditions hereunder or failure of any Seller's conditions to Closing hereunder). Upon any such termination, Sellers shall be free immediately to enjoy all rights of ownership of the Purchased Interests and to sell, transfer, encumber or otherwise dispose of the Purchased Interests to any Person without any restriction under this Agreement. The Parties agree that the foregoing described liquidated damages, to the extent Sellers elect the remedies under subpart (A) above, are reasonable considering all of the circumstances existing as of the Execution Date and constitute the Parties' good faith estimate of the actual damages reasonably expected to result from such termination of this Agreement by Sellers.

(b) If (i) all conditions precedent to the obligations of Sellers set forth in Section 8.2 have been satisfied or waived in writing by Sellers (or would have been satisfied except for the breach described in clause (ii) of this Section 10.3(b)), and (ii) the Closing has not occurred solely as a result of the material breach of any of the Sellers' representations or warranties, such that the condition to Closing set forth in Section 8.1(a) is not satisfied, or the material breach or failure of any of Sellers' covenants hereunder, such that the condition to Closing set forth in Section 8.1(a) is not satisfied, including, if and when required, the Sellers' obligations to consummate the transactions contemplated hereunder at the Closing, then Buyer shall have the right to elect to either (A) terminate this Agreement, in which case the Parties shall execute and deliver a joint instruction to Escrow Agent within three (3) Business Days of such termination requiring Escrow Agent to disburse the Performance Deposit (together with any interest accrued thereon) to Buyer and Buyer may recover from Sellers its reasonable and documented out of pocket costs and expenses paid in connection with the negotiation of this Agreement and the transactions contemplated hereby, including brokers', agents', advisors' and attorneys' fees, in an amount not to exceed \$2,000,000, or (B) in lieu of terminating this Agreement, seek specific performance of this Agreement; provided that if Buyer seeks specific performance pursuant to the preceding clause (B) but is unable to recover therefor from a court of competent jurisdiction, Buyer may thereafter elect to terminate this Agreement and receive the

Performance Deposit (together with any interest accrued thereon). Seller waives any requirement for the posting of a bond or showing of irreparable injury in connection with any equitable relief hereunder in favor of Buyer, and Seller agrees not to challenge any such equitable relief sought in accordance with this Section 10.3(b) as a remedy with respect to Buyer's rights under this Section 10.3(b) (without limiting Seller's ability to challenge or dispute the existence or extent of any alleged breach or failure of Seller's representations, warranties, covenants or conditions hereunder or failure of Buyer's conditions to Closing hereunder). Upon any such termination, Sellers shall be free immediately to enjoy all rights of ownership of the Purchased Interests and to sell, transfer, encumber or otherwise dispose of the Purchased Interests to any Person without any restriction under this Agreement.

(c) If this Agreement is terminated for any reason other than those set forth in Section 10.3(a) and Section 10.3(b), then (i) the Parties shall have no liability or obligation under this Agreement as a result of such termination and the Parties shall execute and deliver a joint written instruction to Escrow Agent within three (3) Business Days of such termination requiring Escrow Agent to disburse the Performance Deposit (together with any interest accrued thereon) to Buyer, and (ii) Sellers shall be free immediately to enjoy all rights of ownership of the Purchased Interests and to sell, transfer, encumber or otherwise dispose of the Purchased Interests to any Person without any restriction under this Agreement.

(d) Upon termination of this Agreement, (i) Buyer shall return to Sellers or destroy (at Buyer's option) all title, engineering, geological and geophysical data, environmental assessments and reports, maps, documents and other information furnished by Sellers to Buyer in connection with its due diligence investigation of the Assets and (ii) an officer of Buyer shall certify Buyer's compliance with preceding clause (i) to Sellers in writing.

(e) Each Party hereby acknowledges and agrees that the rights of each Party to consummate the transactions contemplated hereby are special, unique and of extraordinary character and that, if any Party violates or fails or refuses to perform any covenant or agreement made by it herein, the non-breaching Party may be without an adequate remedy at law. If any Party violates or fails or refuses to perform any covenant or agreement made by such Party herein, the non-breaching Party, subject to the terms hereof and in addition to any remedy at law for damages or other relief permitted by this Agreement, may (at any time prior to the earlier of valid termination of this Agreement pursuant to Article 10 and Closing) institute and prosecute an action to enforce specific performance of such covenant or agreement or seek any other equitable relief (without the posting of any bond and without proof of actual damages). Accordingly, each Party waives any defenses in any action for specific performance pursuant to this Agreement that a remedy at law would be adequate and any requirement for the security or posting of any bond in connection with the remedies described in this Section 10.3(e). To the extent any Party brings an action to enforce specifically the performance of the terms and provisions of this Agreement (other than an action to enforce specifically any provision that expressly survives termination of this Agreement), the Outside Date shall automatically be extended to (a) the tenth (10) Business Day following the final resolution of such action or (b) such other time period established by the court presiding over such action.

ARTICLE 11
Indemnification.

11.1 **Sellers' Indemnification.** Upon the consummation of the Closing, but subject to the provisions of this Article 11, Each Seller, severally and not jointly and severally, agree to pay, defend, indemnify, reimburse and hold harmless Buyer, its Affiliates (including, after the Closing, the Company) and its and their respective directors, partners, members, owners, managers, officers, agents, attorneys and employees (the "**Buyer Indemnified Parties**") for, from and against any Loss incurred, suffered, paid by or resulting to any of the Buyer Indemnified Parties and which results from, arises out of or in connection with, is based upon, or exists by reason of the following:

- (a) any breach of or default in any representation or warranty of such Seller set forth in Article 3, Article 4 or the corresponding representations and warranties in the Seller Closing Certificate;
- (b) failure by such Seller to perform any covenant or obligation set forth in this Agreement or the corresponding covenants or obligations in the Seller Closing Certificate which is not cured as provided in Article 10 of this Agreement;
- (c) any Third Party Claim with respect to any breach or failure to comply with any Asset Preferential Right or Required Consent binding on such Seller's Company or such Company's Assets in connection with the acquisition of any of the Assets by such Company occurring prior to the Closing Date;
- (d) Seller Taxes; and
- (e) any liabilities related to the Excluded Assets (other than Taxes).

11.2 **Buyer's Indemnification.** Upon the consummation of the Closing, Buyer agrees to pay, defend, indemnify, reimburse and hold harmless Sellers, their Affiliates and their respective directors, partners, members, owners, managers, officers, agents, attorneys and employees (the "**Seller Indemnified Parties**") for, from and against any Loss incurred, suffered, paid by or resulting to any of the Seller Indemnified Parties and which results from, arises out of or in connection with, is based upon, or exists by reason of the following:

- (a) any breach of or default in any representation or warranty of any Buyer Party set forth in this Agreement or the corresponding representations and warranties in the Buyer Closing Certificate;
- (b) any failure by any Buyer Party to perform any covenant or obligation set forth in this Agreement or the corresponding covenants or obligations in the Buyer Closing Certificate, which is not cured as provided in Article 10 of this Agreement; and

(c) The conduct, ownership or operation of the Purchased Interests, the Company and/or the Assets, excepting and excluding any Loss against which Buyer is entitled to indemnity from a Seller under Section 11.1.

11.3 Indemnification Procedures.

(a) If a Buyer Indemnified Party or Seller Indemnified Party (each, an “**Indemnified Party**”) has suffered or incurred any Loss and seeks indemnification under this Article 11, the Indemnified Party shall so notify the Party from whom indemnification is sought (such Party, the “**Indemnifying Party**”) promptly in writing describing the event giving rise to such Loss, the basis upon which indemnification is being sought under this Agreement, the amount estimated of such Loss (if known or reasonably capable of estimation), and a method of computation of such Loss, all with reasonable particularity and containing a reference to one or more provisions of this Agreement in respect of such Loss (the “**Indemnification Notice**”); provided that the failure of any Indemnified Party to so notify the Indemnifying Party shall not relieve the Indemnifying Party from liability under this Agreement (i) except to the extent the Indemnifying Party shall have been actually and materially prejudiced by such failure or (ii) such notification is received after the termination of the applicable survival period.

(b) In the event that any claim, demand, or cause of action is brought by a Third Party for which an Indemnifying Party may be liable to an Indemnified Party under this Agreement or any Proceeding is commenced by a Third Party involving such claim, demand or cause of action (a “**Third Party Claim**”), the Indemnified Party shall promptly, and in any event if practicable within 30 days after receiving written notice of such Third Party Claim, deliver to the Indemnifying Party an Indemnification Notice informing the Indemnifying Party of such Third Party Claim (the “**Claim Notice**”). The failure of any Indemnified Party to deliver a Claim Notice promptly shall not relieve the Indemnifying Party from liability under this Agreement (i) except to the extent the Indemnifying Party shall have been actually and materially prejudiced by such failure or (ii) such notification is received after the termination of the applicable survival period. The Indemnifying Party shall have 30 days (or such shorter period if the nature of the claim so requires) from its receipt of the Claim Notice (the “**Notice Period**”) to notify the Indemnified Party whether or not the Indemnifying Party desires, by counsel of its own choosing, to defend against such Third Party Claim at its sole cost and expense. If the Indemnifying Party undertakes to defend against such Third Party Claim (which undertaking shall not constitute an admission or agreement that the Indemnifying Party is obligated to indemnify the Indemnified Party under this Agreement in respect of such matter): (A) the Indemnifying Party shall use its reasonable efforts to defend and protect the interests of the Indemnified Party with respect to such Third Party Claim, (B) the Indemnifying Party shall keep the Indemnified Party reasonably informed of the material developments in the Third Party Claim at all stages therefor and promptly submit to the Indemnified Party copies of all legal documents received or filed in connection therewith and (C) the Indemnifying Party shall not consent to any settlement without the prior written consent of the Indemnified Party (not to be unreasonably withheld, conditioned, or delayed) that (1) does not contain an unconditional release of the Indemnified Party from the subject matter of the settlement or (2) imposes an injunction or other equitable relief upon the Indemnified Party. Notwithstanding the foregoing,

in any event, the Indemnified Party shall have the right to control, pay or settle any Third Party Claim that the Indemnifying Party shall have undertaken to defend so long as the Indemnified Party shall also waive any right to indemnification therefor by the Indemnifying Party. If the Indemnifying Party undertakes to defend against such Third Party Claim, the Indemnified Party shall reasonably cooperate with the Indemnifying Party and its counsel in the investigation, defense, and settlement of such Third Party Claim (but shall not be required to bring counter-claims or cross-claims against any Person). The applicable Indemnified Parties shall collectively be entitled to participate in any such defense with one separate counsel (plus one appropriate local counsel in any applicable jurisdiction) reasonably acceptable to Indemnifying Party at the expense of Indemnifying Party if in the reasonable opinion of both counsel to the Indemnified Party and counsel to the Indemnifying Party (or, if they disagree, of an independent counsel acceptable to each of them) a conflict or potential conflict exists between the Indemnified Party and the Indemnifying Party that would make such separate representation necessary. Notwithstanding anything to the contrary in this Section 11.3, the Indemnifying Party shall not be entitled to defend, assume or continue to assume the defense or settlement or, or to consent to the settlement or compromise of, any Third Party Claim (which in each case, shall be controlled solely by the Indemnified Party unless otherwise consented to in writing by the Indemnified Party) if (x) the claim seeks injunctive or equitable relief against the Indemnified Party or (y) the claim relates to a criminal action or involves claims by a Governmental Authority.

(c) If the Indemnifying Party does not undertake within the Notice Period to assume the defense of any such Third Party Claim, the Indemnifying Party shall nevertheless have the right to participate in any such defense at its sole cost and expense, but, in such case, the Indemnified Party shall control the investigation and defense of such Third Party Claim. Under no circumstances will the Indemnifying Party have any liability in connection with any settlement, compromise, discharge or any Proceeding that is entered into without its prior consent. The Indemnified Party and the Indemnifying Party agree to make available to each other, their respective counsel and other Representatives, all information and documents (at no cost to the Indemnifying Party, other than for reasonable out-of-pocket expenses of the Indemnified Party) that are reasonably available to such party and reasonably required in connection with the defense against a Third Party of any Indemnity Claim brought under this Article 11 (but excluding any documents subject to attorney-client privilege or relating to any dispute between the Parties as to the availability of indemnification under this Agreement). The Indemnified Party, the Indemnifying Party and each of their respective employees also agree to render to each other such assistance and cooperation as may reasonably be required to ensure the proper and adequate defense of such claim or demand.

(d) Buyer and each of the Sellers agree to treat any indemnity payments made pursuant to this Article 11 as adjustments to the Purchase Price for U.S. federal and applicable state income Tax purposes except to the extent otherwise required by Law.

(e) Any indemnification with respect to any claim pursuant to this Article 11 shall be effected by wire transfer of immediately available funds from the Indemnifying Party to an account designated in writing by the applicable indemnitee within ten Business Days after a final determination of such claim.

(f) To the extent the provisions of this Section 11.3 are inconsistent with Section 7.7, then Section 7.7 shall control.

11.4 Certain Limitations on Indemnity Obligations.

(a) Except for a Seller's breaches of its Fundamental Representations, its representations and warranties set forth in Section 3.4, Section 4.1, Section 4.2, Section 4.7, Section 4.10 and Section 4.20 (the "**Specified Representations**") and any indemnification rights related to any such representations and warranties, such Seller's breaches of the covenants in Article 7 and such Seller's allocable portion of Seller Taxes, no individual claim of Buyer or the Buyer Indemnified Parties sought against such Seller pursuant to Section 11.1 shall be made under this Agreement until such individual claim exceeds an amount equal to \$100,000 (the "**Individual Claim Threshold**"), and then only to the extent the aggregate amount of such claims sought in excess of the Individual Claim Threshold exceeds (j) 2% of the Base Purchase Price *multiplied by* (k)(i) with respect to TWR IV, the TWR IV Percentage (such amount, the "**TWR IV Indemnity Deductible**") and (ii) with respect to TWR IV SellCo, the TWR IV SellCo Percentage (the "**TWR IV SellCo Indemnity Deductible**," and together with the TWR IV Indemnity Deductible, the "**Indemnity Deductibles**"). Except for a Seller's breaches of its Fundamental Representations, its Specified Representations, and any indemnification rights related to such representations and warranties, such Seller's breaches of the covenants in Article 7, or such Seller's allocable portion of Seller Taxes, if the total amount of all of Buyer's or the Buyer Indemnified Parties' individual claims which exceed the Individual Claim Threshold exceed such Seller's Indemnity Deductible, then such Seller's obligations under Section 11.1 shall be limited to the amount by which the aggregate amount of such individual claims which exceed the Individual Claim Threshold exceeds such Seller's Indemnity Deductible.

(b) Except for a Seller's breaches of its Fundamental Representations, its Specified Representations, and any indemnification rights related to such representations and warranties, such Seller's breaches of the covenants in Article 7, and such Seller's allocable portion of Seller Taxes, in no event will such Seller's aggregate liability under Section 11.1 exceed 10% of the Base Purchase Price *multiplied by* (y)(i) with respect to TWR IV, the TWR IV Percentage and (ii) with respect to TWR IV SellCo, the TWR IV SellCo Percentage. With respect to (i) breaches of the Fundamental Representations, the Specified Representations, and any indemnification rights related to such representations and warranties, (ii) such Seller's breaches of the covenants in Article 7, (iii) such Seller's Seller Taxes, in no event will such Seller's aggregate liability under Section 11.1, Section 7.1 and Section 7.2 exceed (x) the Base Purchase Price *multiplied by* (y)(i) with respect to TWR IV, the TWR IV Percentage and (ii) with respect to TWR IV SellCo, the TWR IV SellCo Percentage (with respect to TWR IV SellCo, *less* the amount of any claims satisfied against the Indemnity Escrow and with respect to TWR IV, *less* the amount of any OpCo Units with respect to which Buyer exercised its Redemption Right *multiplied by* the OpCo Unit Post-Closing Reference Price applicable to such redeemed OpCo Units at the time of such exercise of the Redemption Right).

(c) For purposes of the special warranty of title set forth in Section 4.20 (and the corresponding representations set forth in the Seller Closing Certificate), the value of the Oil and Gas Assets shall be deemed to be the Allocated Value thereof, as adjusted herein. Recovery of the Buyer Indemnified Parties for any breaches of the special warranty of title set forth in Section 4.20 (and the corresponding representations set forth in the Seller Closing Certificate) shall be equal to the applicable Title Defect Amount as calculated in accordance with the terms of Section 9.2, *mutatis mutandis*, and in no event shall Buyer's recovery thereunder exceed the Allocated Value of the affected Oil and Gas Asset. Sellers shall have the right to cure any such breach of the special warranty of Defensible Title set forth in Section 4.20 (and the corresponding representations set forth in the Seller Closing Certificate) on or prior to the earlier of the date that is one-hundred twenty (120) days after receipt of any Claim Notice received by Sellers from any Buyer Indemnified Party as to such breach.

(d) The amount of any indemnification provided under Section 11.1 and Section 11.2 shall be net of any amounts actually obtained by the Indemnified Party from any Third Party, including such amounts recovered under insurance policies.

(e) Notwithstanding anything to the contrary contained in this Agreement, except for the rights of the Parties under Article 9 and Article 10, as applicable, and without limiting the special warranty of Defensible Title, this Article 11 contains the Parties' exclusive remedy against each other with respect to breaches of this Agreement, the covenants and agreements that survive the Closing pursuant to the terms of this Agreement, and the affirmations of such representations, warranties, covenants and agreements contained in the Buyer Closing Certificate or Seller Closing Certificate, as applicable, including all Losses relating to title matters (including any Title Defects). Except for the remedies contained in this Article 11 and for the rights of the Parties under Article 9 and Article 10, as applicable, Buyer (on behalf of itself, each of the other Buyer Indemnified Parties and their respective insurers and successors in interest) releases, waives, remises and forever discharges the Seller Indemnified Parties from any and all Losses, in Law or in equity, known or unknown, which such parties might now or subsequently may have, based on, relating to or arising out of this Agreement or each Seller's ownership of the Purchased Interests, EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT, BUT EXCLUDING WILLFUL MISCONDUCT), OF ANY RELEASED PERSON.

(f) Notwithstanding anything stated in this Agreement to the contrary, (i) Sellers will not have any liability to Buyer or Buyer Indemnified Parties and Buyer will not have any liability to Sellers or Seller Indemnified Parties under this Article 11 with respect to any item for which a specific adjustment has already been made to the Purchase Price or for which payment has already been made under the terms of this Agreement and (ii) Sellers will not have any liability to Buyer or Buyer Indemnified Parties for any breach of a representation or warranty contained herein if Buyer had actual Knowledge of such breach prior to Buyer's execution and delivery of this Agreement.

(g) Any claim for indemnity to which a Seller Indemnified Party or Buyer Indemnified Party is entitled must be asserted by and through Sellers or Buyer, as applicable.

(h) Sellers shall not be liable for any claim with respect to any breach by Sellers of any representation or warranty set forth in Section 4.10 to the extent the applicable Losses are attributable to any Tax allocable to Buyer under Section 7.2 (except for any penalties, interest or additions to Tax imposed with respect to such Tax as a result of such breach).

11.5 Extent of Indemnification. WITHOUT LIMITING OR ENLARGING THE SCOPE OF THE INDEMNIFICATION, DEFENSE AND ASSUMPTION PROVISIONS SET FORTH IN THIS AGREEMENT, TO THE FULLEST EXTENT PERMITTED BY LAW, AN INDEMNIFIED PERSON SHALL BE ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT IN ACCORDANCE WITH THE TERMS OF SECTION 11.1 OR SECTION 11.2, REGARDLESS OF WHETHER THE ACT, OCCURRENCE OR CIRCUMSTANCE GIVING RISE TO ANY SUCH INDEMNIFICATION OBLIGATION IS THE RESULT OF THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY, BREACH OF DUTY (STATUTORY OR OTHERWISE), OR OTHER FAULT OR VIOLATION OF ANY LAW OF OR BY ANY SUCH INDEMNIFIED PERSON; PROVIDED THAT NO SUCH INDEMNIFICATION SHALL BE APPLICABLE TO THE EXTENT OF ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PERSON.

11.6 Survival. The survival periods for the various representations, warranties, covenants and agreements contained in this Agreement shall be as follows: (a) the Fundamental Representations shall survive the Closing for three years; (b) the representations and warranties in Section 4.10 shall survive the Closing until thirty (30) days after the expiration of the applicable statute of limitations; (c) all of Sellers' representations and warranties other than Fundamental Representations and the representations and warranties in Section 4.10 (and the corresponding representations and warranties in a Seller Closing Certificate) shall survive the Closing for six months; (d) the representations and warranties in Section 4.13 (and the corresponding representations and warranties in a Seller Closing Certificate) shall terminate at, and not survive, the Closing; (e) each Buyer Party's representations and warranties (and the corresponding representations and warranties in the Buyer Closing Certificate) shall survive the Closing indefinitely; (f) all covenants and agreements of the Parties in Section 6.9 shall survive the Closing until fully performed; (g) the covenant under Section 11.1(c) shall survive the Closing for six months; (h) the covenant under Section 11.1(d) shall survive Closing until thirty (30) days after the expiration of the applicable statute of limitations; (i) all covenants and agreements of the Parties in Article 7 shall survive the Closing until 30 days after the expiration of the applicable statute of limitations; and (j) all other covenants and agreements of the Parties (A) that are required to be performed at or prior to Closing shall survive the Closing for six months and (B) that are required to be performed after the Closing shall survive until fully performed (other than the covenant under Section 11.1(c)). Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration, provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant or agreement prior to its expiration date prescribed in this Agreement. All other covenants in Section 11.1 shall survive Closing until the Indemnity Escrow Termination Date. All covenants in Section 11.2 shall terminate as of the termination date of each respective representation, warranty, covenant or

agreement that is subject to the indemnification for the breach of such representation, warranty, covenant or agreement (as specified in this Agreement), in each case, except as to matters for which a written claim for indemnity has been delivered to the indemnifying Person in accordance with this Agreement on or before such termination date.

11.7 **Waiver of Right to Rescission.** The Parties acknowledge that, following Closing, specific performance or the payment of money, as limited by the terms of this Agreement, shall be adequate compensation for breach of any representation, warranty, covenant, or agreement contained in this Agreement or for any other claim arising in connection with or with respect to the transactions contemplated by this Agreement. As such, following Closing, the Parties each waive any right to rescind this Agreement or any of the transactions contemplated by this Agreement.

11.8 **Indemnity Escrow; Redemption Right.**

(a) In the event Closing occurs, an amount equal to the TWR IV SellCo Percentage of the Performance Deposit shall be maintained in the Escrow Account (as defined in the Escrow Agreement) and shall constitute the Indemnity Escrow Amount in order to provide security for a portion of TWR IV SellCo's indemnification obligations under Section 11.1 (the "**Indemnity Escrow**"). The Indemnity Escrow shall be held by Escrow Agent and disbursed by Escrow Agent after the Closing in accordance with this Section 11.8 and the Escrow Agreement. With respect to TWR IV's indemnification obligations, upon final resolution of any Indemnity Claim by the Parties prior to the Indemnity Escrow Termination Date, and subject to the limitations in this Agreement, Buyer shall have the right to redeem from TWR IV in respect of such indemnification obligation a number of OpCo Units equal to (i) the TWR IV Percentage of such amount *divided by* (ii) the OpCo Unit Post-Closing Reference Price as of the date of such resolution or other determination and then (iii) rounded down to the nearest whole number (the "**Redemption Right**").

(b) If at any time on or prior to the date that is six months after the Closing Date (the "**Indemnity Escrow Termination Date**"), Buyer delivers to any Seller an Indemnification Notice to the effect that any Buyer Indemnified Party is entitled under Section 11.1 to indemnity, payment and reimbursement for any alleged Losses, then such Seller shall, within thirty (30) days after the receipt of any such Indemnification Notice, deliver to Buyer (i) a written response to such Indemnification Notice that such Seller agrees that a Buyer Indemnified Party is entitled to indemnity, payment and reimbursement of all or any portion (which shall be stipulated in such response) of the amount of the alleged Losses set forth in Buyer's Indemnification Notice, and (A) Buyer and TWR IV SellCo shall promptly deliver to the Escrow Agent joint written instructions instructing the Escrow Agent to disburse to Buyer from the Indemnity Escrow Amount in the Indemnity Escrow an amount equal to all or a stipulated amount of such alleged Losses set forth in such Indemnification Notice to such account(s) as Buyer designates in such Indemnification Notice or (B) Buyer and TWR IV shall take all actions and deliver any and all documents necessary for Buyer to exercise the Redemption Right, (ii) a written response to such Indemnification Notice that such Seller disputes that a Buyer Indemnified Party is entitled to indemnity, payment and reimbursement of all or any portion

(which shall be stipulated in such response) of the amount of the alleged Losses set forth in Buyer's Indemnification Notice, or (iii) any combination of the foregoing. Timely delivery of any Seller's written response stipulating that such Seller disputes any portion of the amount of Losses to which Buyer claims a Buyer Indemnified Party is entitled shall constitute notice that such amount in dispute shall not be released by the Escrow Agent to Buyer and that the Escrow Agent shall continue to hold such amount in accordance with the Escrow Agreement and/or that no OpCo Units may be redeemed by Buyer, as applicable, until the dispute has been fully resolved by a final non-appealable court order, arbitrator's decision, settlement or otherwise. The failure of any Seller to deliver a written response within such thirty day period that Seller disputes any portion of the amount of Losses to which Buyer claims Buyer Indemnified Parties are entitled shall constitute notice that such Seller disputes such indemnity obligations hereunder with respect to such Indemnification Notice and all such amounts asserted by Buyer Indemnified Parties in such Indemnification Notice shall be retained by the Escrow Agent and no OpCo Units may be redeemed by Buyer until the dispute has been fully resolved.

(c) If TWR IV SellCo timely delivers to Buyer a notice that TWR IV SellCo (i) does not dispute any of the alleged Losses specified in Buyer's Indemnification Notice or (ii) disputes only a portion of the Losses alleged in Buyer's Indemnification Notice, then Buyer and TWR IV SellCo shall promptly (but in no event later than three (3) Business Days after such occurrence) execute and deliver to the Escrow Agent joint written instructions authorizing the Escrow Agent to disburse to Buyer (A) in the case of clause (i) above, the entire amount of the alleged Losses specified in the applicable Indemnification Notice and (B) in the case of clause (ii) above, the amount of the alleged Losses specified in TWR IV SellCo's notice that are not in dispute.

(d) On the Indemnity Escrow Termination Date, (i) Buyer and TWR IV SellCo shall deliver joint written instructions to the Escrow Agent to disburse to such Seller or its designees from such Seller's Indemnity Escrow Amount in the Indemnity Escrow an amount equal to the positive remainder (if any) of (1) TWR IV SellCo's remaining Indemnity Escrow Amount minus (2) the aggregate amount of all undisbursed or unpaid alleged Losses asserted by Buyer against TWR IV SellCo in any and all applicable unresolved Indemnification Notices delivered by Buyer on or prior to the Indemnity Escrow Termination Date and (ii) the Redemption Right shall automatically expire without any further action by any Person.

(e) From and after the Indemnity Escrow Termination Date, upon resolution of each dispute of the Buyer Indemnified Parties' entitlement to such Losses from the Indemnity Escrow in accordance with the terms hereof, Buyer and TWR IV SellCo shall promptly (but in no event more than three (3) Business Days after such resolution) execute and deliver joint written instructions to the Escrow Agent for the release from TWR IV SellCo's Indemnity Escrow Amount in the Indemnity Escrow (i) to Buyer any amounts to which Buyer Indemnified Parties are entitled upon resolution of such dispute and (ii) to TWR IV SellCo or its designee any amounts to which TWR IV SellCo is entitled upon resolution of such dispute.

(f) To the extent necessary to release any portion of the Indemnity Escrow Amount to any Party (or its designee) entitled to receive any portion of the Indemnity Escrow Amount hereunder, Buyer and TWR IV SellCo shall promptly (but in any event within three (3) Business Days) take such reasonable actions as are necessary to cause the release of such amount(s) from the Indemnity Escrow Amount to the applicable Party or Parties, including executing and delivering joint written instructions to the Escrow Agent for the release of such amount(s) from the Indemnity Escrow. With respect to the Redemption Right, TWR IV and Buyer shall promptly take such reasonable actions as are necessary to cause Buyer to be able to exercise the Redemption Right contemplated pursuant to this Article 11.

(g) To the extent that Buyer asserts an Indemnity Claim against TWR IV SellCo, Buyer shall pursue such claims against TWR IV's Indemnity Escrow Amount in the Indemnity Escrow first, and TWR IV SellCo shall not have any personal liability for such claims unless and until such Indemnity Escrow Amount in the Indemnity Escrow is exhausted, and then only as further limited in accordance with the terms of this Agreement.

11.9 Release.

(a) Effective as of immediately prior to the Closing, each Seller, for itself and on behalf of its Affiliates (excluding its Company) and each of its equityholders, successors and assigns (the "**Seller Releasing Group**") hereby fully and unconditionally releases, acquits and forever discharges the Buyer Indemnified Parties, each Company, each of their respective direct and indirect equityholders, and each of their respective successors and assigns from any and all manner of actions, causes of actions, claims obligations, demands, Losses, costs, expenses, compensation or other relief, whether known or unknown, whether in Law or equity, of any kind, that any member of the Seller Releasing Group now has or has ever had in respect of or arising out of the ownership, operation, management, administration or use of its Company, Purchased Interests or Assets prior to Closing; provided, however, the foregoing notwithstanding, the release and discharge provided for herein shall not release (i) the Buyer Parties or the Companies of their respective obligations or liabilities, if any, pursuant to this Agreement or the other Transaction Documents or (ii) either Company of any indemnification or exculpation obligations of such Person to any director, manager, officer or agent of such Person in accordance with Section 6.9. Each Seller hereby irrevocably covenants to refrain from, directly or indirectly (and shall cause each member of the Seller Releasing Group to refrain from), asserting any claim released pursuant to the foregoing provisions of this Section 11.9(a), or commencing, instituting or causing to be commenced, any proceeding of any kind against any of the released Persons set forth in the first sentence of this Section 11.9(a) in their capacity as such, with respect to any such claim. Each Seller hereby represents to Buyer that it has not assigned or transferred or purported to assign or transfer to any Person all or any part of, or any interest in, any such claim.

(b) Effective as of immediately prior to the Closing, each Company, for itself and on behalf of its equityholders, successors and assigns (the "**Company Releasing Group**") and the Buyer, for itself and on behalf of its equityholders, successors and assigns (the "**Buyer Releasing Group**") hereby fully and unconditionally releases, acquits and forever discharges (i) each Seller, each of its direct and indirect equityholders, and each of their respective successors

and assigns and (ii) all directors, managers, officers and agents of each Seller or its Company holding such position at any time prior to the Closing in their capacity as such from any and all manner of actions, causes of actions, claims, obligations, demands, damages, costs, expenses, compensation or other relief, whether known or unknown, whether in Law or equity, of any kind, that any member of the Company Releasing Group or the Buyer Releasing Group now has or has ever had arising out of or relating to (i) in respect of each Seller and its direct and indirect equityholders and their respective successors and assigns, the ownership, operation, management, administration or use of its Company, Purchased Interests or Assets prior to Closing, and (ii) in respect of such directors, managers, officers and agents, for acts and omissions on behalf of each Seller or its Company in such capacity or their relationship in such capacity with such Seller or its Company, as applicable; provided, however, the foregoing notwithstanding, the release and discharge provided for herein shall not release either Seller of its obligations or liabilities, if any, pursuant to this Agreement or the other Transaction Documents. The foregoing notwithstanding, the release and discharge provided for herein shall not release either Seller or its Affiliates from any obligations, liabilities, claims, causes of action and damages directly arising from or relating to the ownership or operation of any Excluded Assets. Buyer, for itself and, following the Closing, on behalf of each Company hereby irrevocably covenants to refrain from, directly or indirectly (and shall cause each Company to refrain from), asserting any claim released pursuant to the foregoing provisions of this Section 11.9(b), or commencing, instituting or causing to be commenced, any proceeding of any kind against any of the released Persons set forth in the first sentence of this Section 11.9(b), in their capacity as such, with respect to any such claim.

ARTICLE 12

Other Provisions

12.1 **Notices.** All notices, consents, waivers and other communications under this Agreement must be in writing (“**Notices**”) and shall be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by electronic mail with receipt acknowledged, with the receiving Party affirmatively obligated to promptly acknowledge receipt during normal business hours on a Business Day (otherwise, on the next Business Day), or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate recipients and addresses set forth below (or to such other recipients or addresses as a Party may from time to time designate by Notice in writing to the other Party):

If to Buyer, to:

Viper Energy Partners LLC
500 W. Texas Ste. 100
Midland, Texas 79701
Email: kvanthof@diamondbackenergy.com; agilfillian@diamondbackenergy.com
Attention: Kaes Van’t Hof; Austen Gilfillian

With copies (which shall not constitute notice) to:

Viper Energy Partners LLC
500 W. Texas Ste. 100
Midland, Texas 79701
Attn: Matthew Zmigrosky
Email: mzmigrosky@diamondbackenergy.com

and

Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street, 44th Floor
Houston, Texas 77002
E-mail: jgoodgame@akingump.com
Attention: John Goodgame

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
E-mail: ZSPodolsky@wlrk.com; SRGreen@alrk.com
Attention: Zachary S. Podolsky; Steven R. Green

If to TWR IV, to:

Tumbleweed Royalty IV, LLC
3724 Hulen Street
Fort Worth, Texas 76107
E-mail: gwright@tumbleweedroyalty.com
Attention: Grant Wright

With a copy (which shall not constitute notice) to:

Vinson & Elkins LLP
845 Texas Avenue, Suite 4700
E-mail: bloocke@velaw.com; mmarek@velaw.com
Attention: Bryan Edward Loocke; Michael Marek

If to TWR IV SellCo, to:

TWR IV SellCo Parent, LLC
3724 Hulen Street
Fort Worth, Texas 76107
E-mail: gwright@tumbleweedroyalty.com
Attention: Grant Wright

With a copy (which shall not constitute notice) to:

Vinson & Elkins LLP
845 Texas Avenue, Suite 4700
E-mail: bloocke@velaw.com; mmarek@velaw.com
Attention: Bryan Edward Loocke; Michael Marek

12.2 **Assignment.** Neither Party shall assign this Agreement or any part of this Agreement without the prior written consent of the other Party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

12.3 **Rights of Third Parties.** Except as expressly provided in the following sentence, nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any Person, other than the Parties, any right or remedies under or by reason of this Agreement. Further, (a) the Nonparty Affiliates are intended Third Party beneficiaries of Section 12.14, (b) the Buyer Indemnified Parties are intended Third Party beneficiaries of Section 11.1 and (c) the Seller Indemnified Parties are intended Third Party beneficiaries of Section 11.2.

12.4 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any electronic copies of or signatures on this Agreement shall, for all purposes, be deemed originals.

12.5 **Entire Agreement.** This Agreement (together with the schedules attached to this Agreement, the Disclosure Schedules and exhibits to this Agreement), the Membership Interest Assignment Agreements, the Third A&R Buyer LLCA, the Second A&R Exchange Agreement, the Class B Common Stock Option Agreement, the Registration Rights Agreement, the Escrow Agreement, the Excluded Asset Assignment and the other contracts, agreements, certificates, documents, and instruments delivered or to be delivered by the Parties in connection with the Closing (collectively, the “**Transaction Documents**”), constitute the entire agreement among the Parties and supersede any other agreements, whether written or oral, that may have been made or entered into by or among any of the Parties or any of their respective Affiliates relating to the transactions contemplated by this Agreement. The provisions of this Agreement and (when executed) the other Transaction Documents may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealings. No Party shall be liable or bound to any other Party in any manner by any representations, warranties, covenants or agreements

relating to such subject matter except as specifically set forth in this Agreement and (when executed) the other Transaction Documents.

12.6 Disclosure Schedules.

(a) Unless the context otherwise requires, all capitalized terms used in the Disclosure Schedule shall have the respective meanings assigned in this Agreement. No reference to or disclosure of any item or other matter in the Disclosure Schedule shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in the Disclosure Schedule. No disclosure in the Disclosure Schedule relating to any possible breach or violation of any agreement or Law shall be construed as an admission or indication that any such breach or violation exists or has actually occurred. The inclusion of any information in the Disclosure Schedule shall not be deemed to be an admission or acknowledgment by such Sellers, in and of itself, that such information is material to or outside the ordinary course of the business of each Seller or required to be disclosed on the Disclosure Schedule. Each disclosure in the Disclosure Schedule shall be deemed to qualify the particular sections or subsections of the representations and warranties expressly referenced, and each other section or subsection of the representations and warranties where the relevance of such disclosure is apparent on its face.

(b) Until the date that is two Business Days before Closing, Sellers shall have the right (but not the obligation) to supplement the Disclosure Schedule relating to the representations and warranties set forth in Article 3 or Article 4 with respect to any matters first occurring subsequent to the Execution Date. Except to the extent such updates are a direct result of actions taken with Buyer's written consent pursuant to Section 6.1, prior to Closing, any such supplement shall not be considered for purposes of determining if Buyer's Closing conditions have been met under Section 8.1 or for determining any remedies available under this Agreement; provided, however, that if the information contained in any supplement would result in the failure of the conditions set forth in under Section 8.1 to be satisfied at Closing, and Buyer could otherwise terminate this Agreement in respect of such failure but instead elects to consummate the transactions contemplated by this Agreement, then (a) such supplements shall be incorporated into Sellers' Disclosure Schedules, (b) any claim related to such matters disclosed in the supplements shall be deemed waived, and (c) Buyer shall not be entitled to make a claim under this Agreement or otherwise with respect to such matters disclosed in the supplements.

12.7 Several and Not Joint Liability. The agreements, representations and obligations of TWR IV and TWR IV SellCo under this Agreement are several and not joint in all respects, including such Seller's obligations relating to any actual or potential breach of any of the representations and warranties of each Seller set forth in Article 3 and Article 4 or any other breach of a representation, warranty, covenant or obligation by any of TWR IV or TWR IV SellCo under this Agreement. Any monetary limitations relating to a Seller's liability or obligations set forth in this Agreement (including any thresholds, deductibles or caps) apply to TWR IV and TWR IV SellCo individually and not in the aggregate, and such monetary limitations shall be separately applied, as applicable, to each such Seller as set forth herein.

12.8 Amendments; Waiver. This Agreement may be amended or modified in whole or in part, and terms and conditions may be waived, only by a duly authorized agreement in writing which makes reference to this Agreement executed by each Party. Any failure by any Party to comply with any of its obligations, agreements or conditions in this Agreement may be waived in writing, but not in any other manner, by the Party or Parties to whom such compliance is owed. Waiver of performance of any obligation or term contained in this Agreement by any Party, or waiver by one Party or the other Party's default under this Agreement will not operate as a waiver of performance of any other obligation or term of this Agreement or a future waiver of the same obligation or a waiver of any future default.

12.9 Publicity. If any Party or any of its Affiliates wishes to make a press release or other public announcement respecting entering into this Agreement or the transactions contemplated hereby, such Party will provide the other Party with a draft of the press release or other public announcement for review as soon as practicable, and in any event, prior to the time that such press release or other public announcement is to be made. The proposing Party agrees to consider reasonable changes to such proposed press release or announcement requested in good faith by the receiving Party. Without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed), no Party shall issue any press release or make any public announcement pertaining to this Agreement or the transactions contemplated by this Agreement or otherwise disclose the existence of this Agreement and the transactions to any Third Party, except (a) to the extent deemed in good faith by such disclosing Party to be required by applicable Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange, in which case the Party proposing to issue such press release or make such public announcement or make such disclosure shall consult in good faith with the other Party before issuing any such press releases or making any such public announcements or disclosures, (b) in connection with the procurement of any necessary consents, approvals, payoff letters and similar documentation, (c) to the extent such information has entered the public domain other than by breach of this Agreement and (d) that each Party may disclose the terms of this Agreement to their respective accountants, investors, Affiliates, advisors legal counsel, lenders, lenders' legal counsel and other representatives as necessary in connection with the ordinary conduct of their respective businesses; provided that such Persons agree to keep the terms of this Agreement strictly confidential. This Section 12.9 shall not prevent a Party from complying with any disclosure requirements of Governmental Authorities that are applicable to the transfer of the Purchased Interests or Assets. The covenant set forth in this Section 12.9 shall terminate one (1) year after the Closing Date.

12.10 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The Parties further agree that if any provision contained in this Agreement is, to any extent, held invalid or unenforceable in any respect under the Laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by Law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained in this Agreement that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the Parties to the greatest extent legally permissible.

12.11 **Governing Law; Jurisdiction; Jury Waiver.** THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE LAWS THAT MIGHT BE APPLICABLE UNDER CONFLICTS OF LAWS PRINCIPLES; PROVIDED THAT ANY MATTER RELATED TO REAL PROPERTY SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE SUCH REAL PROPERTY IS LOCATED. THE PARTIES AGREE THAT THE APPROPRIATE, EXCLUSIVE AND CONVENIENT FORUM FOR ANY DISPUTES BETWEEN THE PARTIES ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL BE IN ANY STATE OR FEDERAL COURT IN DALLAS COUNTY, TEXAS, AND EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH COURTS SOLELY IN RESPECT OF ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT. EACH PARTY FURTHER AGREES THAT IT SHALL NOT BRING SUIT WITH RESPECT TO ANY DISPUTES ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OR JURISDICTION OTHER THAN THE ABOVE SPECIFIED COURTS. THE PARTIES FURTHER AGREE, TO THE EXTENT PERMITTED BY LAW, THAT A FINAL AND NONAPPEALABLE JUDGMENT AGAINST A PARTY IN ANY ACTION OR PROCEEDING CONTEMPLATED ABOVE SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION WITHIN OR OUTSIDE THE UNITED STATES BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND AMOUNT OF SUCH JUDGMENT. TO THE EXTENT THAT EITHER PARTY HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH SUCH PARTY IRREVOCABLY (I) WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS WITH RESPECT TO THIS AGREEMENT AND (II) SUBMITS TO THE PERSONAL JURISDICTION OF ANY COURT DESCRIBED IN THIS SECTION 12.11. EACH PARTY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED TO THIS AGREEMENT, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. EACH PARTY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT EACH PARTY MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE IRREVOCABLE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

12.12 **Waiver of Special Damages.** EACH PARTY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER ANY “SPECIAL DAMAGES” (AS DEFINED BELOW). AS USED IN THIS SECTION 12.12, “SPECIAL DAMAGES” INCLUDES ALL CONSEQUENTIAL (INCLUDING LOSS OF PROFITS OR LOSS OF REVENUE TO THE EXTENT CONSTITUTING CONSEQUENTIAL DAMAGES), EXEMPLARY, SPECIAL, INDIRECT AND PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH EITHER PARTY HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO THE OTHER PARTY OR ANY CLAIMS OF ANY PERSON FOR WHICH ONE PARTY HAS AGREED TO PROVIDE INDEMNIFICATION UNDER THIS AGREEMENT.

12.13 **Time.** This Agreement contains a number of dates and times by which performance or the exercise of rights is due, and the Parties intend that each and every such date and time be the firm and final date and time, as set forth in this Agreement. In furtherance of the foregoing, each Party waives and relinquishes any right it might otherwise have to challenge its failure to meet any performance or rights election date applicable to it on the basis that its late action constitutes substantial performance, to require the other Party to show prejudice (except as may expressly be set forth in this Agreement), or on any equitable grounds. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day. Without limiting the foregoing, time is of the essence in this Agreement.

12.14 **No Recourse.** All claims, obligations, liabilities or causes of action (whether in contract or in tort, in Law or in equity or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with or relate in any manner to this Agreement, or the negotiation, execution or performance of this Agreement (including any representation or warranty made in, in connection with or as an inducement to, this Agreement) and the transactions contemplated by this Agreement, may be made only against (and such representations and warranties are those solely of) the Parties (the “**Contracting Parties**”). No Person who is not a Contracting Party, including any past, present or future director, officer, employee, incorporator, member, partner, manager, equityholder or other beneficial owner, Affiliate, agent, attorney, Representative or assignee of, and any financial advisor or lender to, any Contracting Party, or any past, present or future director, officer, employee, incorporator, member, partner, manager, equityholder or other beneficial owner, Affiliate, agent, attorney, Representative or assignee of, and any financial advisor or lender to, any of the foregoing (collectively, the “**Nonparty Affiliates**”), shall have any liability (whether in contract or in tort, in Law or in equity, or granted by statute) for any claims, causes of action, obligations or liabilities arising under, out of, in connection with or related in any manner to this Agreement or the transactions contemplated by this Agreement or based on, in respect of or by reason of this Agreement or its negotiation, execution, performance or breach of this Agreement and the

transactions contemplated by this Agreement, and, to the maximum extent permitted by Law, each Contracting Party agrees to waive and release all such liabilities, claims, causes of action and obligations against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by Law, each Contracting Party disclaims any reliance upon any Nonparty Affiliates with respect to the performance of this Agreement or any representation or warranty made in connection with, or as an inducement to, this Agreement. Notwithstanding anything in this Agreement to the contrary, each Nonparty Affiliate is expressly intended to be a third-party beneficiary with respect to this Section 12.14.

12.15 **NORM, Wastes and Other Substances.** Buyer acknowledges that the Assets have been used for exploration, development and production of oil and gas and that there may be petroleum, produced water, wastes or other substances or materials located in, on or under the Assets or associated with the Assets. Sites included in the Assets may contain asbestos, naturally occurring radioactive materials (“**NORM**”) or other hazardous or toxic materials, substances or wastes. NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms. The wells, materials and equipment located on the Assets may contain NORM and other hazardous or toxic materials, substances or wastes. NORM containing material and/or other hazardous or toxic materials, substances or wastes may have come in contact with various environmental media, including water, soils or sediment. Special procedures may be required for the assessment, remediation, removal, transportation or disposal of environmental media, wastes, asbestos, NORM and other hazardous or toxic materials, substances or wastes from the Assets.

[Remainder of page intentionally left blank. Signature pages follow.]

IN WITNESS WHEREOF this Agreement has been duly executed and delivered by each of the Parties as of the Execution Date.

SELLERS:

TUMBLEWEED ROYALTY IV, LLC

By: /s/ Cody Campbell

Name: Cody Campbell

Title: Co-Chief Executive Officer

TWR IV SELCO PARENT, LLC

By: /s/ Cody Campbell

Name: Cody Campbell

Title: Co-Chief Executive Officer

Signature Page to Purchase and Sale Agreement

BUYER:

VIPER ENERGY PARTNERS LLC

/s/ Matthew Kaes Van't Hof

Name: Matthew Kaes Van't Hof

Title: President

PARENT:

VIPER ENERGY, INC.

/s/ Matthew Kaes Van't Hof

Name: Matthew Kaes Van't Hof

Title: President

Signature Page to Purchase and Sale Agreement

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our reports dated April 30, 2024, April 30, 2024 and April 22, 2024, respectively, with respect to the consolidated financial statements of Tumbleweed-Q Royalty Partners, LLC, MC Tumbleweed Royalty, LLC and Tumbleweed Royalty IV, LLC included in Exhibit 99.2, 99.3 and 99.4, respectively, of this Current Report of Viper Energy, Inc. on Form 8-K. We consent to the incorporation by reference of said reports in the Registration Statements of Viper Energy, Inc. on Forms S-3 ASR (File Nos. 333-275471 and 333-277668) and Form S-8, as amended by Post-Effective Amendment No. 1 and Post-Effective Amendment No. 2 (File No. 333-196971).

/s/ GRANT THORNTON LLP

Dallas, Texas
September 11, 2024

CONSENT OF CAWLEY, GILLESPIE AND ASSOCIATES, INC.

We have issued our summary evaluation reports, dated August 1, 2024, August 1, 2024 and July 30, 2024, respectively (the "Reserve Reports"), regarding estimates of total proved reserves and forecasts of economics attributable to certain royalty interests of Tumbleweed-Q Royalty Partners, LLC, MC Tumbleweed Royalty, LLC and Tumbleweed Royalty IV, LLC, in each case as of December 31, 2023, acquired or subject to the pending acquisition, as applicable, by Viper Energy, Inc. ("Viper"), included as Exhibit 99.9, Exhibit 99.10 and 99.11, respectively, in this Current Report on Form 8-K of Viper ("Form 8-K"). As independent petroleum consultants, we hereby consent to (i) the inclusion of the Reserve Reports in the Form 8-K, (ii) all references to our firm in the Form 8-K and (iii) the incorporation by reference of the Reserve Reports in Viper's Registration Statements on Forms S-3 ASR (File Nos. 333-275471 and 333-277668) and Form S-8, as amended by Post-Effective Amendment No. 1 and Post-Effective Amendment No. 2 (File No. 333-196971).

Very truly yours,

/s/ CAWLEY, GILLESPIE AND ASSOCIATES, INC.

CAWLEY, GILLESPIE AND ASSOCIATES, INC.

Texas Registered Engineering Firm F-693

Fort Worth, Texas

September 11, 2024

CONSENT OF RYDER SCOTT COMPANY, L.P.

We have issued our report dated January 16, 2024 on estimates of proved reserves, future production and income attributable to certain royalty interests of Viper Energy, Inc. (“Viper”), prepared as of December 31, 2023 (the “Reserve Report”), included in Viper’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “Annual Report”). As independent oil and gas consultants, we hereby consent to (i) the inclusion or incorporation by reference of the Reserve Report and the information contained therein and information from our prior reserve reports referenced in this Current Report on Form 8-K (this “Form 8-K”) and (ii) all references to our firm in this Form 8-K.

/s/ Ryder Scott Company, L.P.

RYDER SCOTT COMPANY, L.P.
TBPELS Firm Registration No. F-1580

Houston, Texas

September 11, 2024

VIPER ENERGY, INC., A SUBSIDIARY OF DIAMONDBACK ENERGY, INC., ANNOUNCES ACQUISITION

MIDLAND, Texas, September 11, 2024 (GLOBE NEWSWIRE) -- Viper Energy, Inc. (NASDAQ:VNOM) (“Viper” or the “Company”), a subsidiary of Diamondback Energy, Inc. (NASDAQ:FANG) (“Diamondback”), today announced it and its operating subsidiary Viper Energy Partners LLC (“OpCo”) have entered into a definitive purchase and sale agreement to acquire certain mineral and royalty interest-owning subsidiaries of Tumbleweed Royalty IV, LLC in exchange for \$461.0 million of cash and approximately 10.1 million OpCo units, subject to customary adjustments. The cash portion of this transaction is expected to be funded through a combination of cash on hand, borrowings under the Company’s credit facility, and proceeds from one or more capital markets transactions, subject to market conditions and other factors. The issuance of OpCo units will be accompanied by the grant of an option to purchase an equal number of shares of Class B common stock of the Company. The purchase agreement also includes a potential additional payment in Q1 2026 of contingent cash consideration of up to \$41.0 million, based on the average 2025 West Texas Intermediate (“WTI”) price. This transaction is expected to close in early Q4 2024, subject to customary closing conditions.

The Company also announced today that it previously closed two related acquisitions. On September 3, 2024, OpCo completed the acquisition of certain mineral and royalty interest-owning entities from Tumbleweed-Q Royalty Partners, LLC and MC Tumbleweed Royalty, LLC for a combined \$189.0 million of cash consideration, plus potential additional payments in Q1 2026 of contingent cash consideration of up to an aggregate of \$9.0 million, based on the average 2025 WTI price. These transactions were funded with a combination of cash on hand and borrowings under the Company’s credit facility.

COMBINED ACQUISITION HIGHLIGHTS

- Approximately 3,727 net royalty acres (“NRAs”) in the Permian Basin
- Highly undeveloped asset with a focus in the core of the Midland Basin
- High confidence visibility to near-term production growth results in meaningful accretion to all relevant financial metrics; accretion expected to grow in subsequent years due to the highly undeveloped nature of the asset
- Current production of approximately 2,500 Bo/d (4,000 Boe/d); expected to increase to approximately 4,500 Bo/d for full year 2025 based on only current producing wells (“PDP”), drilled but uncompleted wells (“DUCs”), permits, and Diamondback’s expected development plan
- Viper currently expects Diamondback to complete roughly 120-140 gross locations beyond existing DUCs and permits on the acquired properties through year-end 2026 with an estimated average ~3.0% net revenue interest (“NRI”) (3.5 - 4.0 net 100% royalty interest wells); expected to drive an increase in Diamondback-operated production from an average of approximately 1,000 Bo/d in 2025 to approximately 3,000 Bo/d in 2026
- Increases expected pro forma 2025 per share return of capital to Class A shareholders by an estimated 4-5%, assuming the Company funds a portion of the remaining cash consideration of the transaction through the successful issuance of approximately 8.0 million Class A shares of Viper’s common stock

ASSET DETAILS

- Approximately 3,237 NRAs in the Midland Basin and 490 NRAs in the Delaware Basin with an average 1.0% NRI
- Combined 16 gross (0.3 net) rigs currently operating on acreage position, led by ExxonMobil (8) and Diamondback (3)
- Midland Basin:
 - Approximately 75% of acreage operated by Diamondback (~950 NRAs) and ExxonMobil (~1,410 NRAs)
 - >70% of acreage in Midland and Martin counties
 - Largely undeveloped acreage that provides an average ~1.4% NRI across an estimated 96 completely undeveloped horizontal units normalized to 1,280 gross acres; represents ~1,640 NRAs and an expected ~23.7 net locations
 - 5.7 net DUCs and permits; expected to be turned to production over the next 12-15 months
- Delaware Basin:
 - Approximately 80% of acreage in Lea and Eddy counties
 - Largest exposure to ConocoPhillips and Mewbourne as primary operators; other notable operators include Devon, Coterra, Chevron, and EOG
 - 0.8 net DUCs and permits; expected to be turned to production over the next 12-15 months

PRO FORMA VIPER HIGHLIGHTS

- Preliminary average daily production guidance for Q4 2024 of 29,000 to 30,000 Bo/d (51,500 to 53,000 Boe/d)
- Preliminary full year 2025 average daily production guidance of 30,000 to 33,000 Bo/d (53,000 to 58,000 Boe/d), the midpoint of which is approximately 18% higher than standalone Viper's expected Q3 2024 average daily oil production
- Approximately 35,500 NRAs in the Permian Basin
- 61 active rigs currently operating on combined acreage position in the Permian Basin, with an average 1.8% NRI expected in those wells

“The set of acquisitions announced today is a continuation of Viper’s strategy to consolidate high quality mineral and royalty assets that not only provide meaningful and immediate financial accretion, but also provide significant undeveloped inventory that supports our long-term production profile. With roughly 50% of the total Midland Basin acreage representing concentrated interests in potential long-lateral units that currently have zero existing producing wells or permits, we expect these assets to deliver significant production growth over the coming years,” stated Travis Stice, Chief Executive Officer of Viper.

Mr. Stice continued, “Viper was able to uniquely execute on this differentiated acquisition opportunity given its overall size and scale, but also due to the visibility we have into Diamondback’s expected multi-year development plan. With this visibility, we expect Diamondback-operated production to increase from an average of roughly 1,000 Bo/d in 2025 to approximately 3,000 Bo/d in 2026. This production growth, along with the remaining core inventory primarily operated by ExxonMobil, provide a high level of confidence to the implied valuation metrics and expected accretion beyond just the next twelve months of visibility typically associated with non-operated mineral and royalty interests.”

Grant Wright, President of Tumbleweed Royalty, stated, “The Tumbleweed team has built an impressive mineral and royalty position over the last four years with the support of our dedicated team and long-term partners. The assets are a natural fit for Viper, and we look forward to closing the transaction.”

Advisors

Intrepid Partners, LLC is serving as financial advisor to Viper. Akin Gump Strauss Hauer & Feld LLP and Wachtell, Lipton, Rosen & Katz are serving as its legal advisors.

Vinson & Elkins LLP and Kirkland & Ellis LLP are serving as the sellers' legal advisors.

About Viper Energy, Inc.

Viper is a corporation formed by Diamondback to own, acquire and exploit oil and natural gas properties in North America, with a focus on owning and acquiring mineral and royalty interests in oil-weighted basins, primarily the Permian Basin. For more information, please visit www.viperenergy.com.

About Diamondback Energy, Inc.

Diamondback is an independent oil and natural gas company headquartered in Midland, Texas focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves primarily in the Permian Basin in West Texas. For more information, please visit www.diamondbackenergy.com.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the federal securities laws. All statements, other than historical facts, that address activities that Viper assumes, plans, expects, believes, intends or anticipates (and other similar expressions) will, should or may occur in the future are forward- looking statements. The forward-looking statements are based on management's current beliefs, based on currently available information, as to the outcome and timing of future events, including specifically the statements regarding the pending acquisition and any potential capital markets transactions and other funding sources for the pending acquisition. These forward-looking statements involve certain risks and uncertainties that could cause the results to differ materially from those expected by the management of Viper. Information concerning these risks and other factors can be found in Viper's filings with the Securities and Exchange Commission, including its Forms 10-K, 10-Q and 8-K, which can be obtained free of charge on the Securities and Exchange Commission's web site at <http://www.sec.gov>. Viper undertakes no obligation to update or revise any forward-looking statement.

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Source: Viper Energy, Inc.; Diamondback Energy, Inc.



Tumbleweed-Q Royalty Partners, LLC
Consolidated Financial Statements

As of December 31, 2023
And for the Year Ended December 31, 2023

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Tumbleweed-Q Royalty Partners, LLC

Opinion

We have audited the consolidated financial statements of Tumbleweed-Q Royalty Partners, LLC (a Delaware limited liability company) and subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the 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 financial statements are 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 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

Dallas, Texas
April 30, 2024

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED BALANCE SHEETS
(in thousands)

As of December 31, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 59
Royalty income receivable	3,202
Accounts receivable - related party	81
Prepaid expenses and other current assets	32
Total current assets	3,374
Property and equipment:	
Oil and natural gas interests - successful efforts method	35,410
Accumulated depletion	(7,871)
Total oil and natural gas interests, net	27,539
Other property and equipment, net	5
Total property and equipment, net	27,544
Total assets	\$ 30,918
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 202
Accounts payable - related party	35
Total current liabilities	237
Commitments and contingencies (see Note 8)	
Members' equity:	
Contributed capital	16,869
Retained earnings	13,812
Total members' equity	30,681
Total liabilities and members' equity	\$ 30,918

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31, 2023
Operating income:	
Royalty income	\$ 12,800
Lease bonus and other	19
Total operating income	12,819
Operating expenses:	
Production and ad valorem taxes	747
Gathering and transportation	95
Depletion, depreciation and amortization	3,857
General and administrative	2,574
Total operating expenses	7,273
Net operating income	5,546
Other income:	
Interest income	11
Total other income	11
Income before income taxes	5,557
Income tax expense	(47)
Net income	\$ 5,510

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(in thousands)

	<u>Total Members' Equity</u>
Balance, December 31, 2022	\$ 33,171
Distributions - A units	(8,000)
Net income	5,510
Balance, December 31, 2023	<u>\$ 30,681</u>

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	<u>As of</u> <u>December 31, 2023</u>
Cash flows from operating activities	
Net income	\$ 5,510
Adjustments to reconcile net income to net cash provided by operating activities:	
Depletion, depreciation and amortization	3,857
Changes in operating assets and liabilities:	
Accounts receivable	(1,146)
Accounts receivable - related parties	(81)
Prepaid and other assets	4
Accounts payable and accrued expenses	7
Accounts payable - related parties	(252)
Net cash provided by operating activities	<u>7,899</u>
Cash flows from financing activities	
Capital distributions	(8,000)
Net cash used in financing activities	<u>(8,000)</u>
Net decrease in cash and cash equivalents	(101)
Cash and cash equivalents, beginning of period	<u>160</u>
Cash and cash equivalents, end of period	<u>\$ 59</u>
Supplemental disclosure of cash flow information:	
Cash paid for income taxes	\$ 45

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

Tumbleweed-Q Royalty Partners, LLC (the “Company,” “Tumbleweed-Q,” “we,” “our,” “us”), a Delaware limited liability company (“LLC”), was formed on June 3, 2020 (date of inception) and has a consolidated subsidiary, Tumbleweed-Q Royalties, LLC, a Delaware LLC. The Company was formed by contributions from a third-party equity provider and certain members of management from the Company. The subsidiary was formed for the purpose of acquiring mineral and royalty interests in oil and natural gas properties in North America. The Company is currently focused on oil and natural gas interests in the Permian Basin.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company’s control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization (“DD&A”) expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company’s consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company’s cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on

the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of December 31, 2023.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on total estimated proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the year ended December 31, 2023, the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the year ended December 31, 2023, the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful lives of the various assets as follows:

Computer equipment 5 years
Computer software 3 years

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales by the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company's contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for one to four months after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of December 31, 2023 the Company's primary market consists of operations in the Permian Basin of West Texas in the United States. The Company has concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party and related-party operators accounted for a significant portion of the Company's total revenue for the:

	<u>Year Ended</u> <u>December 31, 2023</u>
Endeavor Energy Resources	76%
Pioneer Natural Resources USA	18%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.
- Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy. As of December 31, 2023, the Company does not have any amounts requiring fair value measurements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the impairment model for most financial assets. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL framework utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods, which generally require that a loss be incurred before it is recognized.

On January 1, 2023, the Company adopted the guidance in a modified retrospective basis approach. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements as of the adoption date, January 1, 2023, and therefore no related adjustment was recorded at the adoption date.

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands):

	<u>As of</u> <u>December 31, 2023</u>
Oil and natural gas interests:	
Proved	\$ 26,711
Unproved	8,699
Gross oil and natural gas interests	<u>35,410</u>
Less: accumulated depletion	<u>(7,871)</u>
Oil and natural gas interests, net	27,539
Other property and equipment	8
Less: accumulated depreciation and amortization	<u>(3)</u>
Other property and equipment, net	5
Property and equipment, net	<u>\$ 27,544</u>

Depletion expense for the year ended December 31, 2023, was approximately \$3.9 million.

4. ACQUISITIONS AND DIVESTITURES

2023 Acquisitions and Divestitures

There were no acquisitions or divestitures for the year ended December 31, 2023.

5. MEMBERS' EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of December 31, 2023, Class A members had a total commitment to the Company of approximately \$160.0 million, of which \$73.6 million was contributed to the company, representing the total outstanding Class A Units.

For the year ended December 31, 2023, the Company distributed \$8.0 million to its Class A Unit holders pro rata in accordance with their respective sharing percentages.

Class B Units

With approval of the Board, from time to time, the Company may issue Class B Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class B Unit is intended to constitute a profits interest and Class B Unitholders do not have rights to any distributions until Class A Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of December 2023, the Company had authorized 1,000,000 Class B Units of which 975,000 were issued and outstanding.

For the year ended December 2023 the Company distributed \$2.0 million to Class B Unit holders pro rata in accordance with their respective sharing percentages, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

6. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service ("IRS") assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* ("ASC 740"), which requires us to recognize currently the impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax. As such, for the year ended December 31, 2023 the Company recognized \$55.9 thousand of deferred tax liability related to the Texas Margin Tax which is included in "Accounts payable and accrued expenses" in the accompanying consolidated balance sheets. The Company recognized \$47.1 thousand of income tax expense related to the Texas Margin Tax which is included in "Income tax expense" in the accompanying consolidated statements of operations.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of December 31, 2023.

7. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which own a controlling interest in the Company, certain members of management or entities affiliated therewith.

Management Services Agreement

The Company is party to an agreement with a management member's entity whereas this entity and respective employees provide certain general and administrative services to Tumbleweed-Q ("Management Services Agreement") for a monthly fee ("Management Services Expense"). For the year ended December 31, 2023, the Company incurred approximately \$0.4 million in Management Services Expenses which is included in "General and administrative expense" in the accompanying consolidated statements of operations. For the years ended December 31, 2023, \$30.0 thousand is included in "Accounts payable – related party" in the accompanying consolidated balance sheet related to the Management Services Agreement.

Acquisitions / Contributions of oil and natural gas mineral interests

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members' controlled entities have similar mineral and royalty interests in the Permian Basin and these entities have been in existence prior to the formation of the Company. For the year ended December 31, 2023 there were no related party acquisitions or contributions.

Divestments / Contributions of oil and natural gas mineral interests

In addition to cash divestments, the Company has the ability to contribute its oil and natural gas interests to its Class A and Class B Unit holders pro rata in accordance with their interests. For the year ended December 31, 2022, the Company divested and contributed oil and natural gas interests to its related party Class A and Class B Unit holders. For the year ended December 31, 2023, there were no divested and contributed oil and gas interests to its related party Class A and Class B Unit holders. See further discussion of related party divestment in footnote 4.

Lease Bonus

During the year ended December 31, 2023, the Company received approximately \$18.8 thousand in lease bonus from a related party operator.

8. COMMITMENTS AND CONTINGENCIES

Litigation - From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of December 31, 2023, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However, future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

9. SUBSEQUENT EVENTS

In February 2024, the Company received approximately \$1.2 million in lease bonus from a related party operator.

The Company has evaluated subsequent events through April 30, 2024, the date the consolidated financial statements were available to be issued, and determined that there were no additional events that would materially affect the financial statements.

10. SUPPLEMENTAL INFORMATION ON OIL AND NATURAL GAS OPERATIONS (UNAUDITED)

Proved Oil and Gas Reserve Quantities

Proved oil and natural gas reserve estimates and their associated future net cash flows for Tumbleweed-Q were estimated by independent reserve engineers, Cawley, Gillespie & Associates, Inc. as of December 31, 2023. Proved reserves were estimated in accordance with guidelines established by the SEC, which require that reserve estimates be prepared under existing economic and operating conditions based upon the 12-month unweighted arithmetic average of the first-day-of-the-month prices for the 12-month period prior to the end of the reporting period.

The SEC has defined proved reserves as the estimated quantities of oil, NGL and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The following table presents changes in the estimated quantities of proved reserves for the years ended December 31, 2023.

	Oil (MBbls)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	Total (MBOE) ⁽¹⁾
Proved Developed and Undeveloped Reserves:				
As of December 31, 2022	643	2,223	—	1,013
Extensions and discoveries	271	1,099	—	454
Revisions of previous estimates	(17)	71	—	(5)
Production	(146)	(244)	—	(187)
As of December 31, 2023	<u>751</u>	<u>3,149</u>	<u>—</u>	<u>1,275</u>
Proved Developed Reserves:				
December 31, 2023	534	2,255	—	909
Proved Undeveloped Reserves:				
December 31, 2023	217	894	—	366

(1) MBOE equivalents are calculated using a conversion rate of six MMcf per one MBbl for natural gas.

Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs or development costs.

For the year ending December 31, 2023, Tumbleweed-Q's negative revisions of 5 MBoe of previously estimated quantities consisted of performance revisions of proved developed producing wells. Extensions and discoveries of 454 MBoe resulted primarily from the addition of 14 new wells and from 216 new proved undeveloped locations added.

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows should not be viewed as realistic estimates of future cash flows, nor should the “standardized measure” be interpreted as representing current value of proved reserves to the Businesses. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary.

The following table sets forth the standardized measure of discounted future net cash flows attributable to the Tumbleweed Q’s proved oil and natural gas reserves as of December 31, 2023.

	December 31, 2023	
	(in thousands)	
Future cash inflows	\$	67,727
Future production taxes		(4,751)
Future development costs		—
Future income tax expense		(356)
Future net cash flows		<u>62,620</u>
10% discount to reflect timing of cash flows		<u>(25,749)</u>
Standardized measure of discounted future net cash flows	\$	<u>36,871</u>

The following table presents the unweighted arithmetic average first-day-of-the-month prices within the 12-month period prior to the end of the reporting period as adjusted by differentials and other contractual terms for oil, natural gas and natural gas liquids utilized in the computation of future cash inflows.

	December 31, 2023	
Oil (per Bbl)	\$	78.22
Natural gas (per MMBtu)	\$	2.64

Principal changes in the standardized measure of discounted future net cash flows attributable to Tumbleweed Q's proved reserves are as follows.

	Year Ended December 31, 2023	
	(in thousands)	
Standardized measure of discounted future net cash flows at the beginning of the period	\$	41,244
Sales of oil and natural gas, net of production costs		(11,958)
Extensions and discoveries		13,510
Net changes in prices and production costs		(11,646)
Revisions of previous quantity estimates		(159)
Net changes in income taxes		25
Accretion of discount		4,148
Net changes in timing of production and other		1,707
Standardized measure of discounted future net cash flows at the end of the period	\$	<u>36,871</u>



MC Tumbleweed Royalty, LLC
Consolidated Financial Statements

As of December 31, 2023
And for the Year Ended December 31, 2023

MC TUMBLEWEED ROYALTY, LLC
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
MC Tumbleweed Royalty, LLC

Opinion

We have audited the consolidated financial statements of MC Tumbleweed Royalty, LLC (a Delaware limited liability company) and subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the 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 financial statements are 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 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

Dallas, Texas
April 30, 2024

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED BALANCE SHEETS
(in thousands)

As of December 31, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 86
Royalty income receivable	1,938
Prepaid expenses and other current assets	28
Total current assets	<u>2,052</u>
Property and equipment:	
Oil and natural gas interests - successful efforts method	23,277
Accumulated depletion	(5,003)
Total oil and natural gas interests, net	<u>18,274</u>
Other property and equipment, net	5
Total property and equipment, net	<u>18,279</u>
Total assets	<u><u>\$ 20,331</u></u>
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 93
Accounts payable - related party	32
Total current liabilities	<u>125</u>
Commitments and contingencies (see Note 7)	
Members' equity:	
Contributed capital	12,700
Retained earnings	7,506
Total members' equity	<u>20,206</u>
Total liabilities and members' equity	<u><u>\$ 20,331</u></u>

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

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31, 2023	
Operating income:		
Royalty income	\$	8,421
Lease bonus and other		13
Total operating income		8,434
Operating expenses:		
Production and ad valorem taxes		453
Gathering and transportation		67
Depletion, depreciation and amortization		2,598
General and administrative		499
Total operating expenses		3,617
Income before income taxes		4,817
Income tax expense		(37)
Net income	\$	4,780

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

M C TUMBLEWEED ROYALTY, LLC
 CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
 (in thousands)

	Total Members' Equity
Balance, December 31, 2022	\$ 22,126
Distributions - A units	(6,700)
Net income	4,780
Balance, December 31, 2023	\$ 20,206

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

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	<u>As of</u> <u>December 31, 2023</u>
Cash flows from operating activities	
Net income	\$ 4,780
Adjustments to reconcile net income to net cash provided by operating activities:	
Depletion, depreciation and amortization	2,598
Changes in operating assets and liabilities:	
Accounts receivable	(1,222)
Prepaid and other assets	3
Accounts payable and accrued expenses	21
Accounts payable - related parties	3
Net cash provided by operating activities	<u>6,183</u>
Cash flows from financing activities	
Capital distributions	(6,700)
Net cash used in financing activities	<u>(6,700)</u>
Net decrease in cash and cash equivalents	(517)
Cash and cash equivalents, beginning of period	<u>603</u>
Cash and cash equivalents, end of period	<u>\$ 86</u>
Supplemental disclosure of cash flow information:	
Cash paid for income taxes	\$ 17

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

MC TUMBLEWEED ROYALTY, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

MC Tumbleweed Royalty, LLC (the “Company,” “MC Tumbleweed,” “we,” “our,” “us”), a Delaware limited liability company (“LLC”), was formed on July 21, 2020 (date of inception) and has a consolidated subsidiary, MC TWR Royalties, LP, a Texas limited partnership. The Company was formed by contributions from a third-party equity provider and certain members of management from the Company. The subsidiary was formed for the purpose of acquiring mineral and royalty interests in oil and natural gas properties in North America. The Company is currently focused on oil and natural gas interests in the Permian Basin.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company’s control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization (“DD&A”) expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company’s consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company’s cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on

the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of December 31, 2023.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on total estimated proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the year ended December 31, 2023 the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the year ended December 31, 2023 the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful lives of the various assets as follows:

Computer equipment 5 years
Computer software 3 years

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales by the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company's contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for one to four months after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of December 31, 2023, the Company's primary market consists of operations in the Permian Basin of West Texas in the United States. The Company has concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party and related-party operators accounted for a significant portion of the Company's total revenue for the:

	<u>Year Ended</u> <u>December 31, 2023</u>
Endeavor Energy Resources	77%
Pioneer Natural Resources USA	18%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.
- Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy. As of December 31, 2023, the Company does not have any amounts requiring fair value measurements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the impairment model for most financial assets. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL framework utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods, which generally require that a loss be incurred before it is recognized.

On January 1, 2023, the Company adopted the guidance in a modified retrospective basis approach. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements as of the adoption date, January 1, 2023, and therefore no related adjustment was recorded at the adoption date.

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands):

	As of
	December 31, 2023
Oil and natural gas interests:	
Proved	\$ 17,616
Unproved	5,661
Gross oil and natural gas interests	<u>23,277</u>
Less: accumulated depletion	<u>(5,003)</u>
Oil and natural gas interests, net	18,274
Other property and equipment	8
Less: accumulated depreciation and amortization	<u>(3)</u>
Other property and equipment, net	5
Property and equipment, net	<u>\$ 18,279</u>

Depletion expense for the year ended December 31, 2023, was approximately \$2.6 million.

4. MEMBERS’ EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of December 31, 2023, Class A members had a total commitment to the Company of approximately \$53.2 million, of which \$24.1 million was contributed to the company, representing the total outstanding Class A Units.

For the year ended December 31, 2023, the Company distributed \$6.7 million to its Class A Unit holders pro rata in accordance with their respective sharing percentages.

Class B Units

With approval of the Board, from time to time, the Company may issue Class B Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class B Unit is intended to constitute a profits interest and Class B Unitholders do not have rights to any distributions until Class A Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of December 2023, the Company had authorized 100,000 Class B Units of which 97,500 were issued and outstanding.

5. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service (“IRS”) assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), which requires us to recognize currently the impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax. As such, for the year ended December 31, 2023, the Company recognized \$43.0 thousand of deferred tax liability related to the Texas Margin Tax which is included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets. The Company recognized \$36.9 thousand of income tax expense related to the Texas Margin Tax which is included in “Income tax expense” in the accompanying consolidated statements of operations.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of December 31, 2023.

6. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which own a controlling interest in the Company, certain members of management or entities affiliated therewith.

Shared Services Agreement

The Company is party to an agreement with a management member’s entity whereas this entity and respective employees provide certain general and administrative services to MC Tumbleweed (“Shared Services Agreement”) for a monthly fee (“Shared Services Expense”). For the year ended December 31, 2023, the Company incurred approximately \$0.3 million, in Shared Services Expenses which are included in “General and administrative expense” in the accompanying consolidated statements of operations. As of December 31, 2023, \$28.9 thousand was included in “Accounts payable – related party” in the accompanying consolidated balance sheet related to the Shared Services Agreement.

Acquisitions / Contributions of oil and natural gas mineral interests

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members’ controlled entities have similar mineral and royalty interests in the Permian

Basin and these entities have been in existence prior to the formation of the Company. For the year ended December 31, 2023, there were no related party acquisitions or contributions.

Lease Bonus

During the year ended December 31, 2023, the Company received approximately \$12.6 thousand in lease bonus from a related party operator.

7. COMMITMENTS AND CONTINGENCIES

Litigation - From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of December 31, 2023, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However, future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

8. SUBSEQUENT EVENTS

In February 2024, the Company received approximately \$0.8 million in lease bonus from a related party operator.

The Company has evaluated subsequent events through April 30, 2024, the date the consolidated financial statements were available to be issued, and determined that there were no additional events that would materially affect the financial statements.

9. SUPPLEMENTAL INFORMATION ON OIL AND NATURAL GAS OPERATIONS (UNAUDITED)

Proved Oil and Gas Reserve Quantities

Proved oil and natural gas reserve estimates and their associated future net cash flows for MC Tumbleweed were estimated by independent reserve engineers, Cawley, Gillespie & Associates, Inc. as of December 31, 2023. Proved reserves were estimated in accordance with guidelines established by the SEC, which require that reserve estimates be prepared under existing economic and operating conditions based upon the 12-month unweighted arithmetic average of the first-day-of-the-month prices for the 12-month period prior to the end of the reporting period.

The SEC has defined proved reserves as the estimated quantities of oil, NGL and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The following table presents changes in the estimated quantities of proved reserves for the years ended December 31, 2023.

	Oil (MBbls)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	Total (MBOE) ⁽¹⁾
Proved Developed and Undeveloped Reserves:				
As of December 31, 2022				
	425	1,472	—	671
Extensions and discoveries	179	722	—	299
Revisions of previous estimates	(11)	42	—	(4)
Production	(97)	(163)	—	(124)
As of December 31, 2023	496	2,073	—	842
Proved Developed Reserves:				
December 31, 2023	353	1,485	—	601
Proved Undeveloped Reserves:				
December 31, 2023	143	588	—	241

Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs or development costs.

For the year ending December 31, 2023, MC Tumbleweed's negative revisions of 4 MBoe of previously estimated quantities consisted of performance revisions of proved developed producing wells. Extensions and discoveries of 299 MBoe resulted primarily from the addition of 14 new wells and from 202 new proved undeveloped locations added.

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value of proved reserves to the Businesses. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary.

The following table sets forth the standardized measure of discounted future net cash flows attributable to the MC Tumbleweed's proved oil and natural gas reserves as of December 31, 2023.

	December 31, 2023	
	(in thousands)	
Future cash inflows	\$	44,694
Future production taxes		(3,136)
Future development costs		—
Future income tax expense		(234)
Future net cash flows		41,324
10% discount to reflect timing of cash flows		(16,983)
Standardized measure of discounted future net cash flows	\$	24,341

The following table presents the unweighted arithmetic average first-day-of-the-month prices within the 12-month period prior to the end of the reporting period as adjusted by differentials and other contractual terms for oil, natural gas and natural gas liquids utilized in the computation of future cash inflows.

	December 31, 2023	
Oil (per Bbl)	\$	78.22
Natural gas (per MMBtu)	\$	2.64

Principal changes in the standardized measure of discounted future net cash flows attributable to Tumbleweed Q's proved reserves are as follows.

	Year Ended December 31, 2023	
	(in thousands)	
Standardized measure of discounted future net cash flows at the beginning of the period	\$	27,311
Sales of oil and natural gas, net of production costs		(7,901)
Extensions and discoveries		8,886
Net changes in prices and production costs		(7,758)
Revisions of previous quantity estimates		(113)
Net changes in income taxes		17
Accretion of discount		2,747
Net changes in timing of production and other		1,152
Standardized measure of discounted future net cash flows at the end of the period	\$	24,341



Tumbleweed Royalty IV, LLC
Consolidated Financial Statements

As of December 31, 2023
And for the Year ended December 31, 2023

TUMBLEWEED ROYALTY IV, LLC
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Managers Tumbleweed Royalty IV, LLC

Opinion

We have audited the consolidated financial statements of Tumbleweed Royalty IV, LLC (a Delaware limited liability company) and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the 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 financial statements are 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 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

Dallas, Texas
April 22, 2024

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED BALANCE SHEETS
(in thousands)

		<u>As of</u> <u>December 31, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	17,480
Royalty income receivable		19,313
Accounts receivable - related party		373
Prepaid expenses and other current assets		76
Total current assets		37,242
Property and equipment:		
Oil and natural gas interests - successful efforts method		407,940
Accumulated depletion		(24,477)
Total oil and natural gas interests, net		383,463
Other property and equipment, net		21
Total property and equipment, net		383,484
Equity method investment		5,950
Deferred financing fees, net		46
Total assets	\$	426,722
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$	505
Accounts payable - related party		131
Total current liabilities		636
Commitments and contingencies (see Note 10)		
Members' equity:		
Contributed capital		400,000
Retained earnings		26,086
Total members' equity		426,086
Total liabilities and members' equity	\$	426,722

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

		<u>Year Ended</u> <u>December 31, 2023</u>
Operating income:		
Royalty income	\$	55,978
Lease bonus and other		538
Total operating income		<u>56,516</u>
Operating expenses:		
Production and ad valorem taxes		3,295
Gathering and transportation		800
Depletion, depreciation and amortization		20,757
General and administrative		6,303
Total operating expenses		<u>31,155</u>
Income from operations		25,361
Other income (expenses):		
Interest expense		(12)
Interest income		255
Earnings from equity method investment		996
Total other income (expenses)		<u>1,239</u>
Income (loss) before income taxes		26,600
Income tax expense		(270)
Net income	<u>\$</u>	<u>26,330</u>

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(in thousands)

	Total Members' Equity
Balance, December 31, 2022	\$ 254,756
Contributions - A units	132,442
Contributions - B units	12,558
Net income	<u>26,330</u>
Balance, December 31, 2023	<u><u>\$ 426,086</u></u>

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

		Year Ended December 31, 2023
Cash flows from operating activities		
Net income	\$	26,330
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization		20,757
Debt issuance costs amortization		12
Earnings from equity investment		(996)
Distribution from equity method investment		996
Changes in operating assets and liabilities:		
Accounts receivable		(12,441)
Accounts receivable - related parties		(153)
Prepaid and other assets		3
Accounts payable and accrued expenses		(2,896)
Accounts payable - related parties		111
Net cash provided by operating activities		<u>31,723</u>
Cash flows from investing activities		
Acquisition of oil and natural gas interests		(157,576)
Equity method investment		(5,950)
Purchases of other property and equipment		(8)
Net cash used in investing activities		<u>(163,534)</u>
Cash flows from financing activities		
Proceeds from capital contributions		134,834
Debt issuance costs		(58)
Net cash provided by financing activities		<u>134,776</u>
Net increase in cash and cash equivalents		2,965
Cash and cash equivalents, beginning of period		<u>14,515</u>
Cash and cash equivalents, end of period	\$	<u><u>17,480</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$	31
Supplemental disclosure of non-cash transactions		
Acquisitions of oil and gas interests - changes in related accruals	\$	25
Property contributed		10,166

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

TUMBLEWEED ROYALTY IV, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

Tumbleweed Royalty IV, LLC (the “Tumbleweed”), is a Delaware limited liability company (“LLC”) formed on March 24, 2022 (date of inception), focused on the acquisition of mineral and royalty interests in oil and natural gas properties in North America. Tumbleweed is currently focused on oil and natural gas interests in the Permian Basin. Tumbleweed’s corporate office is located in Fort Worth, Texas.

During 2022, Tumbleweed formed TWR IV, LLC, (“T4ROY”), a Delaware LLC, which is a wholly owned subsidiary of Tumbleweed. The subsidiary was formed for the purpose of acquiring mineral and royalty interest in oil and natural gas properties in North America. T4ROY is currently focused on oil and gas interests in the Permian Basin.

During 2022, Tumbleweed acquired TWR SPV, LLC, (“TWSPV”), a Delaware LLC, which is a wholly owned subsidiary of Tumbleweed. The subsidiary is a special purpose vehicle used to acquire mineral and royalty interests in oil and natural gas properties in North America from TWR Minerals II, LLC and its investors. In 2022, all mineral and royalty interests in TWSPV were immediately conveyed to T4ROY. Then in 2023, TWSPV invested in Hidden Sands Properties, LP. See further details on this investment in footnote 5.

The accompanying consolidated financial statements include the accounts of Tumbleweed, T4ROY, and TWSPV (collectively referred to as the “Company,” “we,” “our,” “us”). The Company was formed by contributions from a third-party equity provider and certain members of management from the Company.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company's control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization ("DD&A") expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company's consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company's cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of December 31, 2023.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the year ended December 31, 2023, the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the year ended December 31, 2023, the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful life of the various assets as follows:

Computer equipment 5 years

Computer software 3 years

Equity method investment - Equity investments in which the Company owns a minority interest and does not control are accounted for using the equity method. Under the equity method, the Company's share of investees' earnings or loss is recognized in the consolidated statement of operations. We consider distributions received from equity method investments which do not exceed cumulative equity in earnings subsequent to the date of investment to be a return on investment and are classified as operating activities in our consolidated statements of cash flows. The Company reviews its investments to determine if a loss in value which is other than a temporary decline has occurred. If such loss has occurred, the Company recognizes an impairment provision. For the year ended December 31, 2023, there was no impairment for the Company's equity investment.

Accounts Payable - Related Party – Consists mainly of property contributed in excess of required capital contributions from related parties associated with a significant acquisition from related parties. The payable balance will be extinguished as these excess contributions are used to satisfy future capital calls for these related parties in the anticipated near term.

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales of the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company's contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities under Accounting Standards Codification 606.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for 30 to 90 days after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of December 31, 2023, the Company's primary market consists of operations in the Permian Basin of West Texas and New Mexico in the United States. The Company has a concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party operators accounted for a significant portion of the Company's total revenue for the:

	Year Ended December 31, 2023
Endeavor Energy Resources	34%
Pioneer Natural Resources	19%
Summit Petroleum	10%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.
- Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which changes the impairment model for most financial assets. The ASU introduces a new credit loss methodology, Current Expected Credit Losses ("CECL"), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL framework utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods, which generally require that a loss be incurred before it is recognized.

On January 1, 2023, the Company adopted the guidance in a modified retrospective basis approach. The adoption of this standard did not have a material impact on the Company's consolidated financial statements as of the adoption date, January 1, 2023, and therefore no related adjustment was recorded at the adoption date.

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands) as of:

	As of December 31, 2023
Oil and natural gas interests:	
Proved	\$ 144,158
Unproved	263,782
Gross oil and natural gas interests	407,940
Less: accumulated depletion	(24,477)
Oil and natural gas interests, net	383,463
Other property and equipment	44
Less: accumulated depreciation and amortization	(23)
Other property and equipment, net	21
Property and equipment, net	\$ 383,484

Depletion expense for the year ended December 31, 2023, was approximately \$20.7 million.

4. ACQUISITIONS

The Company entered various acquisitions during the period and, accordingly, the results of operations from these acquisitions are included in the accompanying consolidated statement of operations from the closing date of the acquisition.

2023 Acquisitions

On November 1, 2023, the Company completed the acquisition of approximately 3,566 net royalty acres of mineral and royalty interest for a value of \$108.7 million, funded by \$101.7 million in cash and \$7.0 million in the Company's Class B Units. The interests were in Midland, Glasscock, Martin, Reagan, Upton and Howard Counties, Texas in the Midland Basin. This was accounted for as an asset acquisition. As of November 1, 2023, \$22.9 million of this acquisition was considered producing and the remaining \$85.8 million was considered non-producing. These interests were acquired from the following group of related parties: TWR Minerals II, LP, ANRP II (TW II) Holdings, L.P., John A Sellers Family Limited Partnership, Cody C Campbell Family Limited Partnership, Blake A Carpenter Family Limited Partnership, Covey West Investments, LLC, Rialto Asset Management LLC and Mason Kruse.

In addition to the acquisitions noted above, the Company completed numerous individually insignificant acquisitions totaling approximately 4,095 net royalty acres of mineral and royalty interest for an aggregate purchase price of \$57.8 million during 2023. The interests were in: (1) Midland, Glasscock, Martin, Reagan, Upton and Howard Counties, Texas in the Midland Basin, (2) Ward, Pecos, Reeves Counties, Texas in the Delaware Basin, and (3) Lea and Eddy Counties, New Mexico in the Delaware Basin. These were all accounted for as asset acquisitions.

5. EQUITY METHOD INVESTMENT

On February 6, 2023, TWSPV invested \$6.0 million in Hidden Sands Properties, LP ("Hidden Sands"). As of December 31, 2023, there are no unfunded capital commitments related to this investment. This is accounted for as an equity method investment. Hidden Sands is a sand royalty company and TWSPV's ownership in the investment is 20.19%. For the year ended December 31, 2023, the Company recorded approximately \$1.0 million in earnings related to the investment which is included in "Earnings from equity method investment" on the consolidated statements of operations.

6. LONG-TERM DEBT

Revolving Line of Credit (“RLOC”)

On October 16, 2023, the Company entered into a one-year Credit Agreement (“Credit Agreement”) with CapTex Bank as administrative agent. The Credit Agreement matures on October 15, 2024, at which point all unpaid principal and unpaid accrued interest is payable. The Credit Agreement provides for revolving credit loans to be made for the account of the Company up to \$9.0 million. Collateral for the RLOC is the Company’s oil and natural gas interests and related accounts receivable. Loans under the RLOC are subject to interest calculated at the U.S. “Prime Rate” as reported in the Credit Markets section of the Wall Street Journal. For the year ended December 31, 2023, the Company capitalized \$0.1 million of debt issuance costs related to the RLOC. As of December 31, 2023, no amounts had been drawn or repaid on the RLOC.

The Credit Agreement contains non-financial covenants and requires the Company to maintain a quarterly average deposited amount of \$2.0 million until maturity. The Company was in compliance with all debt covenants as of December 31, 2023.

7. MEMBERS’ EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of December 31, 2023, Class A members had a total commitment to the Company of approximately \$527.3 million of which \$365.4 million had been contributed to the Company which represents the total Class A Units outstanding.

Class B Units

Class B Units are issued at a ratio of one Class B Unit to one dollar contributed by contributing member. As of December 31, 2023 Class B members had a total commitment to the Company of \$50.0 million of which \$10.6 million had been contributed to the Company in cash and a valuation of \$24.0 million in property had been contributed to the Company, which in total represents the \$34.6 million of total Class B Units outstanding.

Class C Units

With approval of the Board, from time to time, the Company may issue Class C Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class C Unit is intended to constitute a profits interest and Class C Unitholders do not have rights to any distributions until Class A and Class B Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of December 31, 2023 the Company had authorized 100,000 Class C Units of which 96,650 were issued and outstanding.

All of the profits interests are nonvoting and subject to vesting, forfeiture, and termination as follows, or as otherwise may be expressly set forth in a separate written agreement between the Company and individual executed on or about the date at which the award of the profits interest was granted to such individual.

The profits interests require four-year service vesting from the date of grant or vest upon an Exit Event, as defined in the LLC Agreement. All profits units not vested are forfeited if an employee is no longer providing service to the Company. All profits interests will be forfeited if a holder resigns or is terminated with cause, even if the profits units are vested. The profits interests are accounted in a manner similar to a profit-sharing arrangement in which the amount of compensation expense for these awards will be recognized when all performance, market, and service conditions are probable of being satisfied (in general, upon an Exit Event). Accordingly, no value was assigned to the interests when issued.

8. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service (“IRS”) assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), which requires us to recognize currently the impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax. For the year ended December 31, 2023, the Company recognized a deferred tax liability in the amount of approximately \$0.2 million related to the Texas Margin Tax which is included in the accompanying consolidated balance sheet. The Company recognized income tax expense of approximately \$0.3 million related to the Texas Margin Tax.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of December 31, 2023.

9. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which owns a controlling interest in the Company, certain members of management or entities affiliated therewith.

Management Services Agreement (“MSA”)

On March 24, 2022, Double Eagle Natural Resources, LP (“DENR”) entered into a MSA with the Company whereas the employees of DENR provide all related services to the Company for the operation, maintenance and reporting of the Company. For the provided services, the Company pays actual general and administrative expenses incurred by DENR each month. All general and administrative expenses paid by the Company are in accordance with the budget approved by the Board of Directors of the Company. Certain payroll-related expenses are paid monthly by the Company to DENR based on the approved budget and true-up quarterly for actuals incurred during the period. For the year ended December 31, 2023 the Company incurred approximately \$4.9 million related to this agreement which is included in “General and administrative expenses” in the accompanying consolidated statement of operations. Additionally, all general office space and utilities required by the Company to perform office and administrative services are also paid monthly by the Company to DENR in accordance with the MSA. For the year ended December 31, 2023 the Company incurred approximately \$0.2 million related to this agreement which is also included in “General and administrative expenses” in the accompanying consolidated statement of operations. As of December 31, 2023 there was approximately \$0.4 million included in “Accounts receivable – related party” in the accompanying consolidated balance sheet related to the quarterly payroll true-up related to the MSA.

Acquisitions / Contributions of oil and natural gas properties

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members’ controlled entities have similar mineral and royalty interests in the Permian Basin and these entities have been in existence prior to the formation of the Company. For the year ended December 31, 2023, there were related party property contributions valued at \$7.0 million that were exchanged for the Company’s Class B Units.

Royalty Income

For the year ended December 31, 2023, the Company received approximately \$1.4 million in royalty income from a related party operator. There was no other royalty income received from related parties during these periods.

Lease Bonus

For the year ended December 31, 2023, the Company received approximately \$0.5 million in lease bonus from a related party operator.

10. COMMITMENTS AND CONTINGENCIES

Litigation – From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of December 31, 2023, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However, future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

11. SUBSEQUENT EVENTS

In February 2024, the Company received approximately \$2.4 million in lease bonus from a related party operator.

In March and April 2024, the Company drew \$9.0 million on the RLOC. In April 2024, the Company repaid \$5.0 million on the RLOC.

In April 2024, the Company called \$20.0 million of capital in exchange for Class A and Class B Units.

The Company has evaluated subsequent events through April 22, 2024, the date the consolidated financial statements were available to be issued and determined that there were no additional events that would materially affect the financial statements.

12. SUPPLEMENTAL INFORMATION ON OIL AND NATURAL GAS OPERATIONS (UNAUDITED)

Proved Oil and Gas Reserve Quantities

Proved oil and natural gas reserve estimates and their associated future net cash flows for Tumbleweed were estimated by independent reserve engineers, Cawley, Gillespie & Associates, Inc. as of December 31, 2023. Proved reserves were estimated in accordance with guidelines established by the SEC, which require that reserve estimates be prepared under existing economic and operating conditions based upon the 12-month unweighted arithmetic average of the first-day-of-the-month prices for the 12-month period prior to the end of the reporting period.

The SEC has defined proved reserves as the estimated quantities of oil, NGL and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological

interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The following table presents changes in the estimated quantities of proved reserves for the years ended December 31, 2023.

	Oil (MBbls)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	Total (MBOE) ⁽¹⁾
Proved Developed and Undeveloped Reserves:				
As of December 31, 2022				
	2,225	11,303	—	4,109
Purchase of reserves in place	1,480	6,611	—	2,582
Extensions and discoveries	1,171	5,046	—	2,012
Revisions of previous estimates	127	499	—	210
Production	(621)	(1,706)	—	(905)
As of December 31, 2023				
	4,382	21,753	—	8,008
Proved Developed Reserves:				
December 31, 2023	2,706	13,930	—	5,028
Proved Undeveloped Reserves:				
December 31, 2023	1,676	7,823	—	2,980

Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs or development costs.

For the year ending December 31, 2023, Tumbleweed's positive revisions of 210 MBoe of previously estimated quantities consisted of performance revisions of proved developed producing wells. Extensions and discoveries of 2,012 MBoe resulted primarily from the addition of 198 new wells and from 526 new proved undeveloped locations added.

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value of proved reserves to the Businesses. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary.

The following table sets forth the standardized measure of discounted future net cash flows attributable to Tumbleweed's proved oil and natural gas reserves as of December 31, 2023.

	December 31, 2023
	(In thousands)
Future cash inflows	\$ 405,289
Future production taxes	(30,598)
Future development costs	(58)
Future income tax expense	(1,991)
Future net cash flows	372,642
10% discount to reflect timing of cash flows	(152,594)
Standardized measure of discounted future net cash flows	\$ 220,048

The following table presents the unweighted arithmetic average first-day-of-the-month prices within the 12-month period prior to the end of the reporting period as adjusted by differentials and other contractual terms for oil, natural gas and natural gas liquids utilized in the computation of future cash inflows.

	December 31, 2023	
Oil (per Bbl)	\$	78.22
Natural gas (per MMBtu)	\$	2.64

Principal changes in the standardized measure of discounted future net cash flows attributable to the Partnership's proved reserves are as follows.

	Year Ended December 31, 2023	
	(In thousands)	
Standardized measure of discounted future net cash flows at the beginning of the period	\$	158,911
Purchase of minerals in place		73,277
Sales of oil and natural gas, net of production costs		(51,883)
Extensions and discoveries		57,605
Previously estimated development costs incurred during the period		1,303
Net changes in prices and production costs		(57,842)
Changes in estimated future development costs		(5)
Revisions of previous quantity estimates		2,241
Net changes in income taxes		(263)
Accretion of discount		15,983
Net changes in timing of production and other		20,721
Standardized measure of discounted future net cash flows at the end of the period	\$	220,048



Tumbleweed-Q Royalty Partners, LLC
Unaudited Consolidated Financial Statements

As of June 30, 2024
And for the Six Months ended June 30, 2024

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
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TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

		As of June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$	24
Royalty income receivable		2,137
Prepaid expenses and other current assets		6
Total current assets		2,167
Property and equipment:		
Oil and natural gas interests - successful efforts method		35,410
Accumulated depletion		(10,021)
Total oil and natural gas interests, net		25,389
Other property and equipment, net		5
Total property and equipment, net		25,394
Total assets	\$	27,561
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$	168
Accounts payable - related party		30
Total current liabilities		198
Commitments and contingencies (see Note 7)		
Members' equity:		
Contributed capital		11,189
Retained earnings		16,174
Total members' equity		27,363
Total liabilities and members' equity	\$	27,561

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited, in thousands)

	Six Months Ended June 30, 2024
Operating income:	
Royalty income	\$ 5,528
Lease bonus and other	1,177
Total operating income	6,705
Operating expenses:	
Production and ad valorem taxes	387
Gathering and transportation	57
Depletion, depreciation and amortization	2,151
General and administrative	1,719
Total operating expenses	4,314
Income before income taxes	2,391
Income tax expense	(29)
Net income	\$ 2,362

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited, in thousands)

		Total Members' Equity
Balance, December 31, 2023	\$	30,681
Distributions - A units		(5,680)
Net income		2,362
Balance, June 30, 2024	\$	<u>27,363</u>

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited, in thousands)

		<u>Six Months Ended</u> <u>June 30, 2024</u>
Cash flows from operating activities		
Net income	\$	2,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization		2,151
Changes in operating assets and liabilities:		
Accounts receivable		1,065
Accounts receivable - related parties		81
Prepaid and other assets		25
Accounts payable and accrued expenses		(34)
Accounts payable - related parties		(5)
Net cash provided by operating activities		<u>5,645</u>
Cash flows from financing activities		
Capital distributions		<u>(5,680)</u>
Net cash used in financing activities		<u>(5,680)</u>
Net decrease in cash and cash equivalents		(35)
Cash and cash equivalents, beginning of period		<u>59</u>
Cash and cash equivalents, end of period	\$	<u><u>24</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$	44

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

TUMBLEWEED-Q ROYALTY PARTNERS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

Tumbleweed-Q Royalty Partners, LLC (the “Company,” “Tumbleweed-Q,” “we,” “our,” “us”), a Delaware limited liability company (“LLC”), was formed on June 3, 2020 (date of inception) and has a consolidated subsidiary, Tumbleweed-Q Royalties, LLC, a Delaware LLC. The Company was formed by contributions from a third-party equity provider and certain members of management from the Company. The subsidiary was formed for the purpose of acquiring mineral and royalty interests in oil and natural gas properties in North America. The Company is currently focused on oil and natural gas interests in the Permian Basin.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

These consolidated interim financial statements (the “financial statements”) reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and note disclosures normally included in the Company’s annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted from these financial statements, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Results of operations for any interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2023. Except as disclosed herein, there have been no material changes to the information disclosed in the notes to the consolidated annual financial statements for the year ended December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company’s control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is

a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization (“DD&A”) expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company’s consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company’s cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of June 30, 2024.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on total estimated proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the six months ended June 30, 2024, the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the six months ended June 30, 2024, the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful lives of the various assets as follows:

Computer equipment 5 years
Computer software 3 years

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales by the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company’s contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for one to four months after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of June 30, 2024, the Company's primary market consists of operations in the Permian Basin of West Texas in the United States. The Company has concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party operators accounted for a significant portion of the Company's total revenue for the:

	<u>Six Months Ended</u> <u>June 30, 2024</u>
Endeavor Energy Resources	72%
Exxon Mobil	24%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

- Level 3 — Unobservable inputs that reflect the entity’s own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy. As of June 30, 2024, the Company does not have any amounts requiring fair value measurements.

Recently Issued Accounting Standards

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this update apply to all entities that are subject to Topic 740, Income Taxes. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2025. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands):

	<u>As of</u> <u>June 30, 2024</u>
Oil and natural gas interests:	
Proved	\$ 27,793
Unproved	7,617
Gross oil and natural gas interests	<u>35,410</u>
Less: accumulated depletion	<u>(10,021)</u>
Oil and natural gas interests, net	25,389
Other property and equipment	8
Less: accumulated depreciation and amortization	<u>(3)</u>
Other property and equipment, net	5
Property and equipment, net	<u>\$ 25,394</u>

Depletion expense for the six months ended June 30, 2024, was approximately \$2.1 million.

4. MEMBERS’ EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of June 30, 2024, Class A members had a total commitment to the Company of approximately \$160.0 million, of which \$73.6 million was contributed to the company, representing the total outstanding Class A Units.

For the six months ended June 30, 2024, the Company distributed approximately \$5.7 million to its Class A Unit holders pro rata in accordance with their respective sharing percentages.

Class B Units

With approval of the Board, from time to time, the Company may issue Class B Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class B Unit is intended to constitute a profits interest and Class B Unitholders do not have rights to any distributions until Class A Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of June 30, 2024, the Company had authorized 1,000,000 Class B Units of which 975,000 were issued and outstanding.

For the six months ended June 30, 2024, the Company distributed \$1.4 million to its Class B Unit holders pro rata in accordance with their respective sharing percentages, which is included in “General and administrative expense” in the accompanying consolidated statements of operations.

5. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service (“IRS”) assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), which requires us to recognize currently the impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax. As such, for the six months ended June 30, 2024, the Company recognized \$40.9 thousand of deferred tax liability related to the Texas Margin Tax which are included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets. For the six months ended June 30, 2024, the Company recognized \$29.0 thousand of income tax expense related to the Texas Margin Tax which are included in “Income tax expense” in the accompanying consolidated statements of operations.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of June 30, 2024.

6. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which own a controlling interest in the Company, certain members of management or entities affiliated therewith.

Management Services Agreement

The Company is party to an agreement with a management member’s entity whereas this entity and respective employees provide certain general and administrative services to Tumbleweed-Q (“Management Services Agreement”) for a monthly fee (“Management Services Expense”). For the six months ended June 30, 2024, the Company incurred approximately \$0.2 million in Management Services Expenses which are included in “General and administrative expense” in the accompanying consolidated statements of operations. As of June 30, 2024, \$30.0 thousand was included in “Accounts payable – related party” in the accompanying consolidated balance sheet related to the Management Services Agreement.

Acquisitions / Contributions of oil and natural gas mineral interests

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members' controlled entities have similar mineral and royalty interests in the Permian Basin and these entities have been in existence prior to the formation of the Company. For the six months ended June 30, 2024, there were no related party acquisitions or contributions.

Divestments / Contributions of oil and natural gas mineral interests

In addition to cash divestments, the Company has the ability to contribute its oil and natural gas interests to its Class A and Class B Unit holders pro rata in accordance with their interests. For the six months ended June 30, 2024, there were no divested or contributed oil and gas interests to its related party Class A and Class B Unit holders.

Lease Bonus

During the six months ended June 30, 2024, the Company received approximately \$1.2 million in lease bonus from a related party operator.

7. COMMITMENTS AND CONTINGENCIES

Litigation - From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of June 30, 2024, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However, future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

8. SUBSEQUENT EVENTS

On August 6, 2024, the Company entered into a purchase and sale agreement with a third party for total cash consideration of \$113.4 million for all of the issued and outstanding equity interests of its consolidated subsidiary, Tumbleweed-Q Royalties, LLC. The transaction is expected to close on September 3, 2024.

The Company has evaluated subsequent events through August 29, 2024, the date the consolidated financial statements were available to be issued and determined that there were no additional events that would materially affect the financial statements.



MC Tumbleweed Royalty, LLC
Unaudited Consolidated Financial Statements

As of June 30, 2024
And for the Six Months ended June 30, 2024

MC TUMBLEWEED ROYALTY, LLC
INDEX TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED BALANCE SHEET
(unaudited, in thousands)

		As of June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$	52
Royalty income receivable		1,610
Prepaid expenses and other current assets		6
Total current assets		1,668
Property and equipment:		
Oil and natural gas interests - successful efforts method		23,277
Accumulated depletion		(6,448)
Total oil and natural gas interests, net		16,829
Other property and equipment, net		5
Total property and equipment, net		16,834
Total assets	\$	18,502
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$	117
Accounts payable - related party		29
Total current liabilities		146
Commitments and contingencies (see Note 7)		
Members' equity:		
Contributed capital		8,450
Retained earnings		9,906
Total members' equity		18,356
Total liabilities and members' equity	\$	18,502

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

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited, in thousands)

	Six Months Ended June 30, 2024
Operating income:	
Royalty income	\$ 3,657
Lease bonus and other	786
Total operating income	4,443
Operating expenses:	
Production and ad valorem taxes	257
Gathering and transportation	37
Depletion, depreciation and amortization	1,445
General and administrative	286
Total operating expenses	2,025
Income before income taxes	2,418
Income tax expense	(18)
Net income	\$ 2,400

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

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited, in thousands)

		Total Members' Equity
Balance, December 31, 2023	\$	20,206
Distributions - A units		(4,250)
Net income		2,400
Balance, June 30, 2024	\$	18,356

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

MC TUMBLEWEED ROYALTY, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited, in thousands)

		<u>Six Months Ended</u> <u>June 30, 2024</u>
Cash flows from operating activities		
Net income	\$	2,400
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization		1,445
Changes in operating assets and liabilities:		
Accounts receivable		328
Prepaid and other assets		22
Accounts payable and accrued expenses		24
Accounts payable - related parties		(3)
Net cash provided by operating activities		<u>4,216</u>
Cash flows from financing activities		
Capital distributions		<u>(4,250)</u>
Net cash used in financing activities		<u>(4,250)</u>
Net decrease in cash and cash equivalents		(34)
Cash and cash equivalents, beginning of period		<u>86</u>
Cash and cash equivalents, end of period	\$	<u><u>52</u></u>

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

MC TUMBLEWEED ROYALTY, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

MC Tumbleweed Royalty, LLC (the “Company,” “MC Tumbleweed,” “we,” “our,” “us”), a Delaware limited liability company (“LLC”), was formed on July 21, 2020 (date of inception) and has a consolidated subsidiary, MC TWR Royalties, LP, a Texas limited partnership. The Company was formed by contributions from a third-party equity provider and certain members of management from the Company. The subsidiary was formed for the purpose of acquiring mineral and royalty interests in oil and natural gas properties in North America. The Company is currently focused on oil and natural gas interests in the Permian Basin.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

These consolidated interim financial statements (the “financial statements”) reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and note disclosures normally included in the Company’s annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted from these financial statements, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Results of operations for any interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2023. Except as disclosed herein, there have been no material changes to the information disclosed in the notes to the consolidated annual financial statements for the year ended December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company’s control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is

a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization (“DD&A”) expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company’s consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company’s cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of June 30, 2024.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on total estimated proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the six months ended June 30, 2024, the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the six months ended June 30, 2024, the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful lives of the various assets as follows:

Computer equipment 5 years
Computer software 3 years

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales by the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company’s contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for one to four months after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of June 30, 2024, the Company's primary market consists of operations in the Permian Basin of West Texas in the United States. The Company has concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party and related-party operators accounted for a significant portion of the Company's total revenue for the:

	<u>Six Months Ended June 30, 2024</u>
Endeavor Energy Resources	72%
Exxon Mobil	24%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

- Level 3 — Unobservable inputs that reflect the entity’s own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy. As of June 30, 2024, the Company does not have any amounts requiring fair value measurements.

Recently Issued Accounting Standards

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this update apply to all entities that are subject to Topic 740, Income Taxes. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2025. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands):

	As of
	June 30, 2024
Oil and natural gas interests:	
Proved	\$ 18,377
Unproved	4,900
Gross oil and natural gas interests	<u>23,277</u>
Less: accumulated depletion	<u>(6,448)</u>
Oil and natural gas interests, net	16,829
Other property and equipment	8
Less: accumulated depreciation and amortization	<u>(3)</u>
Other property and equipment, net	5
Property and equipment, net	<u><u>\$ 16,834</u></u>

Depletion expense for the six months ended June 30, 2024, was approximately \$1.4 million.

4. MEMBERS’ EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of June 30, 2024, Class A members had a total commitment to the Company of approximately \$53.2 million, of which \$24.1 million was contributed to the company, representing the total outstanding Class A Units.

For the six months ended June 30, 2024, the Company distributed \$4.3 million to its Class A Unit holders pro rata in accordance with their respective sharing percentages.

Class B Units

With approval of the Board, from time to time, the Company may issue Class B Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class B Unit is intended to constitute a profits interest and Class B Unitholders do not have rights to any distributions until Class A Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of June 30, 2024, the Company had authorized 100,000 Class B Units of which 97,500 were issued and outstanding.

5. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service (“IRS”) assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), which requires us to recognize currently the impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax. As such, for the six months ended June 30, 2024, the Company recognized \$32.2 thousand of deferred tax liability related to the Texas Margin Tax which are included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets. For the six months ended June 30, 2024, the Company recognized \$18.4 thousand of income tax expense related to the Texas Margin Tax which are included in “Income tax expense” in the accompanying consolidated statements of operations.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of June 30, 2024.

6. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which own a controlling interest in the Company, certain members of management or entities affiliated therewith.

Shared Services Agreement

The Company is party to an agreement with a management member’s entity whereas this entity and respective employees provide certain general and administrative services to MC Tumbleweed (“Shared Services Agreement”) for a monthly fee (“Shared Services Expense”). For the six months ended June 30, 2024, the Company incurred approximately \$0.2 million in Shared Services Expenses which are included in “General and administrative expense” in the accompanying consolidated statements of operations. As of June 30, 2024, \$28.9 thousand was included in “Accounts payable – related party” in the accompanying consolidated balance sheet related to the Shared Services Agreement.

Acquisitions / Contributions of oil and natural gas mineral interests

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members' controlled entities have similar mineral and royalty interests in the Permian Basin and these entities have been in existence prior to the formation of the Company. For the six months ended June 30, 2024, there were no related party acquisitions or contributions.

Lease Bonus

During the six months ended June 30, 2024, the Company received approximately \$0.8 million in lease bonus from a related party operator.

7. COMMITMENTS AND CONTINGENCIES

Litigation - From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of June 30, 2024, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However, future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

8. SUBSEQUENT EVENTS

On August 6, 2024, the Company entered into a purchase and sale agreement with a third party for total cash consideration of \$75.6 million for all of the issued and outstanding equity interests of its consolidated subsidiary, MC TWR Royalties, LP. The transaction is expected to close on September 3, 2024.

The Company has evaluated subsequent events through August 29, 2024, the date the consolidated financial statements were available to be issued and determined that there were no additional events that would materially affect the financial statements.



Tumbleweed Royalty IV, LLC
Unaudited Consolidated Financial Statements

As of June 30, 2024
And for the Six Months ended June 30, 2024

TUMBLEWEED ROYALTY IV, LLC
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TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED BALANCE SHEET
(unaudited, in thousands)

		As of June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$	6,754
Royalty income receivable		22,936
Accounts receivable - related party		45
Prepaid expenses and other current assets		190
Total current assets		29,925
Property and equipment:		
Oil and natural gas interests - successful efforts method		481,099
Accumulated depletion		(38,646)
Total oil and natural gas interests, net		442,453
Other property and equipment, net		89
Total property and equipment, net		442,542
Investment in Hidden Sands, LLC		5,950
Deferred financing fees, net		17
Total assets	\$	478,434
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$	1,385
Accounts payable - related party		6
Total current liabilities		1,391
Commitments and contingencies (see Note 10)		
Members' equity:		
Contributed capital		435,000
Retained earnings		42,043
Total members' equity		477,043
Total liabilities and members' equity	\$	478,434

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited, in thousands)

	Six Months Ended	
	June 30, 2024	
Operating income:		
Royalty income	\$	31,423
Lease bonus and other		4,236
Total operating income		35,659
Operating expenses:		
Production and ad valorem taxes		2,044
Gathering and transportation		579
Depletion, depreciation and amortization		14,173
General and administrative		3,481
Total operating expenses		20,277
Income from operations		15,382
Other income (expenses):		
Interest expense		(102)
Interest income		89
Earnings from equity method investment		765
Total other income (expenses)		752
Income before income taxes		16,134
Income tax expense		(177)
Net income	\$	15,957

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited, in thousands)

	<u>Total</u> <u>Members' Equity</u>
Balance, December 31, 2023	\$ 426,086
Contributions - A units	31,969
Contributions - B units	3,031
Net income	15,957
Balance, June 30, 2024	<u>\$ 477,043</u>

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

TUMBLEWEED ROYALTY IV, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30, 2024	
Cash flows from operating activities		
Net income	\$	15,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization		14,173
Debt issuance costs amortization		29
Earnings from equity investment		(765)
Distribution from equity investment		765
Changes in operating assets and liabilities:		
Accounts receivable		(3,623)
Accounts receivable - related parties		328
Prepaid and other assets		(114)
Accounts payable and accrued expenses		861
Accounts payable - related parties		(125)
Net cash provided by operating activities		27,486
Cash flows from investing activities		
Acquisition of oil and natural gas interests		(73,140)
Purchases of other property and equipment		(72)
Net cash used in investing activities		(73,212)
Cash flows from financing activities		
Proceeds from debt		9,000
Repayment of debt		(9,000)
Proceeds from capital contributions		35,000
Net cash provided by financing activities		35,000
Net decrease in cash and cash equivalents		(10,726)
Cash and cash equivalents, beginning of period		17,480
Cash and cash equivalents, end of period	\$	6,754
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$	72
Cash paid for income taxes	\$	250
Supplemental disclosure of non-cash transaction		
Acquisitions of oil and gas interests - changes in related accruals	\$	19

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

TUMBLEWEED ROYALTY IV, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the business and formation

Tumbleweed Royalty IV, LLC (the “Tumbleweed”), is a Delaware limited liability company (“LLC”) formed on March 24, 2022 (date of inception), focused on the acquisition of mineral and royalty interests in oil and natural gas properties in North America. Tumbleweed is currently focused on oil and natural gas interests in the Permian Basin. Tumbleweed’s corporate office is located in Fort Worth, Texas.

During 2022, Tumbleweed formed TWR IV, LLC, (“T4ROY”), a Delaware LLC, which is a wholly owned subsidiary of Tumbleweed. The subsidiary was formed for the purpose of acquiring mineral and royalty interest in oil and natural gas properties in North America. T4ROY is currently focused on oil and gas interests in the Permian Basin.

During 2022, Tumbleweed acquired TWR SPV, LLC, (“TWSPV”), a Delaware LLC, which is a wholly owned subsidiary of Tumbleweed. The subsidiary is a special purpose vehicle used to acquire mineral and royalty interests in oil and natural gas properties in North America from TWR Minerals II, LLC and its investors. In 2022, all mineral and royalty interests in TWSPV were immediately conveyed to T4ROY. Then in 2023, TWSPV invested in Hidden Sands Properties, LP. See further details on this investment in footnote 5.

The accompanying interim consolidated financial statements include the accounts of Tumbleweed, T4ROY, and TWSPV (collectively referred to as the “Company,” “we,” “our,” “us”). The Company was formed by contributions from a third-party equity provider and certain members of management from the Company.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

These consolidated interim financial statements (the “financial statements”) reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and note disclosures normally included in the Company’s annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted from these financial statements, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Results of operations for any interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2023. Except as disclosed herein, there have been no material changes to the information disclosed in the notes to the consolidated annual financial statements for the year ended December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Although management believes the estimates are appropriate, actual results may differ from those estimates.

The most significant estimates pertain to proved oil and natural gas reserves, related cash flow estimates used in impairment tests of long-lived assets, recoverability of costs of unproved properties and estimates relating to certain oil and natural gas revenues and expenses from mineral and royalty interests. Certain of these estimates require assumptions regarding future commodity prices, future expenses and future production rates. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future expenses are inherently uncertain for numerous reasons, including many factors beyond the Company's control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, prevailing commodity prices and other factors. These revisions may be material and could materially affect future depreciation, depletion and amortization ("DD&A") expense and impairment expense.

Cash and cash equivalents – We consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash or cash equivalents. Cash equivalents consist of cash in a short-term money market account. Money market funds are measured and recorded at fair value in the Company's consolidated balance sheet and classified as Level 1 in the fair value hierarchy. The Company's cash and cash equivalents are held in a financial institution in an amount that exceeds the insurance limits of the Federal Deposit Insurance Corporation. The Company believes the counterparty risks associated with this are minimal based on the reputation and history of the institution where the funds are deposited and held. No losses have occurred to date with respect to these items.

Royalty Income Receivable – Receivables are carried on a gross basis, with no discounting. At each reporting date, the Company assesses the expected lifetime credit losses on initial recognition of royalty income receivables. The Company has not had any credit losses related to these receivables in the past and believes its accounts receivable is fully collectable. Accordingly, an allowance was not recorded as of June 30, 2024.

Oil and Natural Gas Interests – The Company utilizes the successful efforts method of accounting for our oil and natural gas properties. Under this method, costs of acquiring properties are capitalized. If a property is ultimately not acquired, then the associated costs are expensed. The portion of the capitalized costs allocated to proved properties is depleted using the unit-of-production method based on proved developed producing reserves. Unproved property is excluded from the depletion base until the identification of proved reserves.

Proceeds from the sales of individual properties and the capitalized costs of individual properties sold or abandoned are credited to the net book value of the amortization group, if doing so does not materially impact the depletion rate of an amortization base. Generally, no gain or loss is recognized until an entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company performs assessments of our proved oil and natural gas properties accounted for under the successful efforts method of accounting, annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the estimated undiscounted future cash flows is less than the carrying amount of the oil and natural gas properties. In these circumstances, the Company recognizes an impairment loss for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Estimating future cash flows involves the use of judgments, including estimation of the proved and unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices and production costs. We consider the inputs utilized in determining the fair value related to the impairment of long-lived assets to be Level 3 measurements in the fair value hierarchy. For the six months ended June 30, 2024, the Company did not recognize any impairment of our proved interests.

The Company also performs assessments of our unproved oil and natural gas properties annually or whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. For the six months ended June 30, 2024, the Company did not recognize any impairment of our unproved interests.

Other Property and Equipment – Other property and equipment are recorded at cost and includes computer software and equipment. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Upon sale or abandonment, the cost of the equipment and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method over estimated useful life of the various assets as follows:

Computer equipment 5 years
Computer software 3 years

Equity method investment - Equity investments in which the Company owns a minority interest and does not control are accounted for using the equity method. Under the equity method, the Company's share of investees' earnings or loss is recognized in the consolidated statement of operations. We consider distributions received from equity method investments which do not exceed cumulative equity in earnings subsequent to the date of investment to be a return on investment and are classified as operating activities in our consolidated statements of cash flows. The Company reviews its investments to determine if a loss in value which is other than a temporary decline has occurred. If such loss has occurred, the Company recognizes an impairment provision. For the six months ended June 30, 2024, there was no impairment for the Company's equity investment.

Royalty Income and Revenue Recognition from Contracts with Customers – Royalty income represents the right to receive revenues from oil and natural gas sales of the operator of the wells in which the Company owns a royalty interest. Royalty income is recognized at the point control of the product is transferred to the purchaser. Substantially all of the pricing provisions in the Company's contracts are tied to a market index.

The Company's oil and natural gas sales contracts are generally structured whereby the producer of the properties in which the Company owns a royalty interest sells the Company's proportionate share of oil and natural gas production to the purchaser and the Company collects our percentage royalty based on the revenue generated by the sale of the oil and natural gas. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead or at the gas processing facility based on the Company's percentage ownership share of the revenue, net of any deductions for gathering and transportation.

The Company's right to royalty income does not originate until production occurs and, therefore, is not considered to exist beyond each day's production. Therefore, there are no remaining performance obligations under any of our royalty income contracts.

Under the Company's royalty income contracts, we would have the right to receive royalty income from the producer once production has occurred, at which point payment is unconditional. Accordingly, the Company's royalty income contracts do not give rise to contract assets or liabilities under Accounting Standards Codification 606.

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain oil and natural gas sales may not be received for 30 to 90 days after the date production is delivered, and as a result, the Company is required to estimate the amount of royalty income to be received based upon the Company's interest. The Company records the differences between our estimates and the actual amounts received for royalties in the period that payment is received from the producer. The Company believes that the pricing provisions in our oil and natural gas contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the royalties related to expected sales volumes and prices for those properties are estimated and recorded.

Concentrations of Credit Risk – As of June 30, 2024, the Company's primary market consists of operations in the Permian Basin of West Texas and New Mexico in the United States. The Company has a concentration of oil and natural gas production revenues and receivables due from the operators of wells in which we hold royalty interests. Our exposure to non-payment or non-performance by the operators presents a credit risk. Generally, non-payment or nonperformance results from an operator's inability to satisfy obligations.

Furthermore, the concentration of our counterparties in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. The Company has no involvement of operational control over the volumes and method of sale of oil, natural gas, and NGLs produced and sold from the properties. Our mineral leases are with financially stable and experienced operators in the respective areas of exploration, development and

production. Although the Company is exposed to a concentration of credit risk, management believes the loss of revenue from any one customer would not significantly affect the Company's financial or operational performance.

The following third-party operators accounted for a significant portion of the Company's total revenue for the:

	<u>Six Months Ended</u> <u>June 30, 2024</u>
Endeavor Energy Resources	34%
Exxon Mobil	27%

Fair Value Hierarchy – Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date. The Company's assets and liabilities that are measured at fair value at each reporting date are classified according to a hierarchy that prioritizes inputs and assumptions underlying the valuation techniques. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, and consists of three broad levels:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.
- Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumption market participants would use in the pricing of the asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

Recently Issued Accounting Standards

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2023. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this update apply to all entities that are subject to Topic 740, Income Taxes. The amended guidance will be effective for the Company for annual periods beginning after December 15, 2025. The Company is evaluating the effect of this ASU but does not believe it will have a material effect on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following (in thousands):

	<u>As of</u> <u>June 30, 2024</u>
Oil and natural gas interests:	
Proved	\$ 152,507
Unproved	<u>328,592</u>
Gross oil and natural gas interests	481,099
Less: accumulated depletion	<u>(38,646)</u>
Oil and natural gas interests, net	<u>442,453</u>
Other property and equipment	116
Less: accumulated depreciation and amortization	<u>(27)</u>
Other property and equipment, net	<u>89</u>
Property and equipment, net	<u>\$ 442,542</u>

Depletion expense for the six months ended June 30, 2024, was approximately \$14.2 million.

4. ACQUISITIONS

The Company entered various acquisitions during the period and, accordingly, the results of operations from these acquisitions are included in the accompanying consolidated statement of operations from the closing date of the acquisition.

2024 Acquisitions

The Company completed numerous individually insignificant acquisitions totaling approximately 3,588 net royalty acres of mineral and royalty interest for an aggregate purchase price of \$73.0 million during the six months ended June 30, 2024. The interests were in: (1) Midland, Glasscock, Martin, Reagan Ector and Dawson Counties, Texas in the Midland Basin, and (2) Lea and Eddy Counties, New Mexico in the Delaware Basin. These were all accounted for as asset acquisitions.

5. EQUITY METHOD INVESTMENT

On February 6, 2023, TWSPV invested \$6.0 million in Hidden Sands Properties, LP (“Hidden Sands”). As of June 30, 2024, there were no unfunded capital commitments related to this investment. This is accounted for as an equity method investment. Hidden Sands is a sand royalty company and TWSPV’s ownership in the investment is 20.19%. For the six months ended June 30, 2024, the Company recorded approximately \$0.8 million in earnings related to the investment which is included in “Earnings from equity method investment” on the consolidated statements of operations.

6. DEBT

Revolving Line of Credit (“RLOC”)

On October 16, 2023, the Company entered into a one-year Credit Agreement (“Credit Agreement”) with CapTex Bank as administrative agent. The Credit Agreement matures on October 15, 2024, at which point all unpaid principal and unpaid accrued interest is payable. The Credit Agreement provides for revolving credit loans to be made for the account of the Company up to \$9.0 million. Collateral for the RLOC is the Company’s oil and natural gas interests and related accounts receivable. Loans under the RLOC are subject to interest calculated at the U.S. “Prime Rate” as reported in the Credit Markets section of the Wall Street Journal. As of June 30, 2024, \$9.0 million had been drawn on the RLOC and it had been fully repaid by the end of the period, so the outstanding balance was zero.

The Credit Agreement contains non-financial covenants and requires the Company to maintain a quarterly average deposited amount of \$2.0 million until maturity. The Company was in compliance with all debt covenants as of June 30, 2024.

7. MEMBERS' EQUITY AND MANAGEMENT INCENTIVE UNITS

Class A Units

Class A Units are issued at a ratio of one Class A Unit to one dollar contributed by contributing member. As of June 30, 2024, Class A members had a total commitment to the Company of approximately \$527.3 million of which \$397.3 million had been contributed to the Company which represents the total Class A Units outstanding.

Class B Units

Class B Units are issued at a ratio of one Class B Unit to one dollar contributed by contributing member. As of June 30, 2024, Class B members had a total commitment to the Company of \$50.0 million of which \$13.7 million had been contributed to the Company in cash and a valuation of \$24.0 million in property had been contributed to the Company, which in total represents the \$37.7 million of total Class B Units outstanding.

Class C Units

With approval of the Board, from time to time, the Company may issue Class C Units to Senior Management, Managers, Officers, employees, and other persons who contribute to the success of the Company. Unless the Board determines otherwise, each Class C Unit is intended to constitute a profits interest and Class C Unitholders do not have rights to any distributions until Class A and Class B Unitholders have received distributions equal to the return of their capital contributions and defined return on investment. As of June 30, 2024 the Company had authorized 100,000 Class C Units of which 96,650 were issued and outstanding.

All of the profits interests are nonvoting and subject to vesting, forfeiture, and termination as follows, or as otherwise may be expressly set forth in a separate written agreement between the Company and individual executed on or about the date at which the award of the profits interest was granted to such individual.

The profits interests require four-year service vesting from the date of grant or vest upon an Exit Event, as defined in the LLC Agreement. All profits units not vested are forfeited if an employee is no longer providing service to the Company. All profits interests will be forfeited if a holder resigns or is terminated with cause, even if the profits units are vested. The profits interests are accounted in a manner similar to a profit-sharing arrangement in which the amount of compensation expense for these awards will be recognized when all performance, market, and service conditions are probable of being satisfied (in general, upon an Exit Event). Accordingly, no value was assigned to the interests when issued.

8. INCOME TAXES

Income Taxes – The Company is not subject to federal or state income taxes, except as noted below, as we are organized as a partnership for income tax purposes and the results of operation are taxable directly to the members. Accordingly, each member is responsible for its share of federal and state income tax.

Under the centralized partnership audit rules effective for tax years beginning after 2017, the Internal Revenue Service (“IRS”) assesses and collects underpayments of tax from the partnership instead of from each partner. The Company may be able to pass the adjustments through to its partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules. The collection of tax from the Company is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on Company income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Company as a result of an IRS examination will be treated as a distribution from the Company to the partners in the financial statements.

Texas Margin Tax – The Company is subject to the Texas Margin Tax that requires tax payments at a maximum statutory effective rate of 0.75% on the taxable margin of each taxable entity that does business in Texas. The margin tax qualifies as an income tax under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), which requires us to recognize currently the

impact of this tax on the temporary differences between the consolidated financial statement assets and liabilities and their tax basis attributable to such tax.

For the six months ended June 30, 2024, the Company recognized a deferred tax liability in the amount of approximately \$0.2 million related to the Texas Margin Tax which is included in the accompanying consolidated balance sheet. For the six months ended June 30, 2024, the Company recognized income tax expense of approximately \$0.2 million related to the Texas Margin Tax.

Uncertain Tax Positions – Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company had no uncertain tax positions as of June 30, 2024.

9. RELATED PARTY TRANSACTIONS

The Company evaluated our relationships, commitments, and other agreements with our counterparties to determine the existence of related party transactions. The following transactions were determined to be between related parties, such as our equity provider which owns a controlling interest in the Company, certain members of management or entities affiliated therewith.

Management Services Agreement (“MSA”)

On March 24, 2022, Double Eagle Natural Resources, LP (“DENR”) entered into a MSA with the Company whereas the employees of DENR provide all related services to the Company for the operation, maintenance and reporting of the Company. For the provided services, the Company pays actual general and administrative expenses incurred by DENR each month. All general and administrative expenses paid by the Company are in accordance with the budget approved by the Board of Directors of the Company. Certain payroll-related expenses are paid monthly by the Company to DENR based on the approved budget and true-up quarterly for actuals incurred during the period. For the six months ended June 30, 2024, the Company incurred approximately \$2.5 million of certain payroll-related expenses related to this agreement which is included in “General and administrative expenses” in the accompanying consolidated statement of operations. Additionally, all general office space and utilities required by the Company to perform office and administrative services are also paid monthly by the Company to DENR in accordance with the MSA. For the six months ended June 30, 2024, the Company incurred approximately \$0.1 million for general office space and utilities related to this agreement which is also included in “General and administrative expenses” in the accompanying consolidated statement of operations. As of June 30, 2024, there was approximately \$45.3 thousand included in “Accounts receivable – related party” in the accompanying consolidated balance sheet related to the quarterly payroll true-up related to the MSA.

Acquisitions / Contributions of oil and natural gas properties

In addition to cash purchases, management members have the ability to offset cash capital contributions with contributions of oil and natural gas properties. Other management members’ controlled entities have similar mineral and royalty interests in the Permian Basin and these entities have been in existence prior to the formation of the Company.

Royalty Income

For the six months ended June 30, 2024, the Company received approximately \$1.3 million in royalty income from a related party operator. There was no other royalty income received from related parties during these periods.

Lease Bonus

For the six months ended June 30, 2024, the Company received approximately \$4.1 million in lease bonus from a related party operator.

10. COMMITMENTS AND CONTINGENCIES

Litigation – From time to time we are party to certain legal or administrative proceedings that arise in the ordinary course and are incidental to our business. As of June 30, 2024, there were no such pending proceedings to which we are party to that our management believes will have a material adverse effect on our results of operations, cash flows or financial condition. However,

future events or circumstances, currently unknown to management, will determine whether the resolution of any litigation or claims will ultimately have a material effect on our results of operations, cash flows or financial condition in any future reporting periods.

Casualties and Other Risks – The Company maintains coverage in various insurance programs, which provide us with coverage which is customary for the nature and scope of our operations.

The Company believes we have adequate insurance coverage, although insurance will not cover every type of loss that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies could increase significantly, and in certain instances, insurance may become unavailable, or available at reduced coverage.

If we were to incur a significant loss for which we were not adequately insured, the loss could have a material impact on our results of operations, cash flow or financial condition. In addition, the proceeds of any available insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts our revenues, or which causes us to make a significant expenditure not covered by insurance, could reduce our ability to meet future financial obligations.

11. SUBSEQUENT EVENTS

In August 2024, the Company terminated the RLOC agreement. All amounts outstanding and interest were repaid, and the Company did not incur any penalties associated with the termination.

The Company completed numerous individually insignificant acquisitions totaling approximately 653.4 net royalty acres of mineral and royalty interest for an aggregate purchase price of \$7.6 million during the months subsequent to June 30, 2024. The interests were in: (1) Midland and Glasscock Counties, Texas in the Midland Basin, and (2) Eddy County, New Mexico in the Delaware Basin. These were all accounted for as asset acquisitions.

On August 6, 2024, the Company entered into an exclusivity agreement (the “Exclusivity Agreement”) with a third party regarding a potential sale of the Company to the third party. The Exclusivity Agreement contains various defined terms including exclusivity period, termination options and fees, among others. If the Exclusivity Agreement is terminated under certain circumstances, the Company may be required to pay a termination fee of \$25.0 million or receive a termination fee of \$100.0 million.

The Company has evaluated subsequent events through August 29, 2024, the date the unaudited consolidated financial statements were available to be issued and determined that there were no additional events that would materially affect the financial statements.

Viper Energy, Inc.
Unaudited Pro Forma Condensed Combined Financial Statements

On September 11, 2024, Viper Energy, Inc (“Viper” or the “Company”) and its subsidiary Viper Energy Partners LLC (“OpCo”) as buyer parties, entered into a definitive purchase and sale agreement with Tumbleweed Royalty IV, LLC (“TWR IV”) and TWR IV SellCo Parent, LLC, each an affiliate of EnCap Investments, L.P., as sellers, pursuant to which OpCo agreed to acquire all of the issued and outstanding interests in TWR IV, LLC and TWR IV SellCo, LLC (the “TWR Acquisition”) for a purchase price of approximately \$461.0 million in cash, 10,093,670 OpCo units and contingent cash consideration of up to \$41.0 million payable in January of 2026, based on the average price of West Texas Intermediate (WTI) sweet crude oil prompt month futures contracts for the calendar year 2025 (the “WTI 2025 Average”). The TWR Acquisition is expected to close on October 1, 2024, subject to customary closing conditions and adjustments.

The mineral and royalty interests to be acquired in the pending TWR Acquisition represent approximately 3,055 net royalty acres in the Permian Basin. The Company expects to fund the cash consideration for the TWR Acquisition through a combination of cash on hand and in escrow, proceeds from an assumed \$400.0 million public issuance of approximately 8,629,989 shares of Viper’s Class A common stock (the “Equity Offering”) and borrowings under OpCo’s revolving credit facility. For pro forma purposes, shares to be issued in the assumed Equity Offering were calculated using Viper’s closing share price of \$46.35 on September 4, 2024.

On September 3, 2024, the Company completed the related acquisitions of Tumbleweed-Q Royalty Partners, LLC (“Tumbleweed-Q”) and MC Tumbleweed Royalty, LLC (“Tumbleweed M”) (collectively with TWR IV and Tumbleweed-Q, the “Tumbleweed Entities”), pursuant to definitive purchase and sale agreements.

The mineral and royalty interests acquired from Tumbleweed-Q represent approximately 406 net royalty acres in the Permian Basin. Consideration for the acquisition of Tumbleweed Q consisted of \$113.4 million in cash and contingent cash consideration of up to \$5.4 million payable in January of 2026, based on the WTI 2025 Average. The cash consideration was funded with a combination of cash on hand and borrowings under OpCo’s credit facility, subject to customary post-closing adjustments (the “Q Acquisition”).

The mineral and royalty interests acquired from Tumbleweed M represent approximately 266 net royalty acres in the Permian Basin. Consideration for the acquisition of Tumbleweed M consisted of \$75.6 million in cash and contingent cash consideration of up to \$3.6 million payable in January of 2026, based on the WTI 2025 Average. The cash consideration was funded with a combination of cash on hand and borrowings under OpCo’s credit facility and is subject to customary post-closing adjustments (the “M Acquisition”).

The pending TWR Acquisition, Q Acquisition and M Acquisition (collectively, the “Tumbleweed Acquisitions”) are expected to be accounted for as asset acquisitions in accordance with Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”). As such, for pro forma purposes, the fair value of the consideration paid by the Company and the allocation of that amount to the underlying assets acquired is recorded on a relative fair value basis. Additionally, transaction costs directly related to the Tumbleweed Acquisitions are capitalized as a component of the purchase price.

As previously disclosed in its Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on November 7, 2023 (the “Closing 8-K”), on November 1, 2023, the Company completed the acquisition (the “GRP Acquisition”) of certain mineral interests, overriding royalty interests, royalty interests and non-participating royalty interests in oil, gas, and other hydrocarbons from Royalty Asset Holdings, LP, Royalty Asset Holdings II, LP and Saxum Asset Holdings, LP (collectively, “GRP,” and affiliates of Warwick Capital Partners and GRP Energy Capital) under the previously reported purchase and sale agreement, dated as of September 4, 2023, by and among the Company and GRP. The total consideration for the GRP Acquisition consisted of 9,018,760 common units representing limited partnership interests in Viper and \$749.5 million in cash including transactions costs and subject to customary post-closing adjustments.

The GRP Acquisition was accounted for as an asset acquisition in accordance with ASC 805. The fair value of the consideration paid by the Company and the allocation of that amount to the underlying assets acquired was recorded on a relative fair value basis. Additionally, transaction costs directly related to the GRP Acquisition were capitalized as a component of the purchase price. The operating results of GRP are consolidated in Viper’s financial statements beginning on the date of the closing of the GRP Acquisition.

The following unaudited pro forma condensed combined financial statements (the “pro forma financial statements”) are based on the Company’s historical consolidated financial statements, adjusted to give effect to transaction adjustments for (i) the assets and liabilities acquired by the Company in the Tumbleweed Acquisitions, and (ii) the funding of the purchase prices for the Tumbleweed Acquisitions, including the assumed Equity Offering.

The following pro forma financial statements present (i) the Company's unaudited condensed combined pro forma balance sheet as of June 30, 2024 (the, "pro forma balance sheet"), (ii) the Company's unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2024 and (iii) the Company's unaudited pro forma condensed combined statement of operations for the year ended December 31, 2023. The pro forma balance sheet assumes that the Tumbleweed Acquisitions as well as the debt and equity transactions executed to finance the Tumbleweed Acquisitions all occurred on June 30, 2024. The pro forma statements of operations for the six months ended June 30, 2024 and the year ended December 31, 2023 give pro forma effect to the Tumbleweed Acquisitions and the GRP Acquisition and related financing transactions as if they had occurred on January 1, 2023, the beginning of the earliest period presented.

The pro forma adjustments related to the Tumbleweed Acquisitions and related financing for the transaction are based on available information and certain assumptions that management believes are factually supportable, as further described below in [Note 3—Pro Forma Adjustments and Assumptions](#). In the opinion of management, all adjustments necessary to present fairly the pro forma financial statements have been made.

These pro forma financial statements are for information purposes only and do not purport to represent what the Company's financial position and results of operations would have been had the Tumbleweed Acquisitions occurred on the dates indicated. The pro forma financial statements do not reflect the benefits of potential cost savings or the costs that may be necessary to achieve such savings, and, accordingly, do not attempt to predict or suggest future results. As such, these pro forma financial statements should not be used to project the Company's financial performance for any future period. A number of factors may affect the results.

The pro forma financial statements have been developed from and should be read in conjunction with:

- a. the separate historical consolidated financial statements and related notes thereto in the Company's filings with the Securities and Exchange Commission; and
- b. the historical audited combined financial statements of GRP as of December 31, 2023 and for the year then ended, which are incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K/A filed with the SEC on November 13, 2023;
- c. the historical financial statements of the Tumbleweed Entities and related notes for the year ended December 31, 2023 and for the six months ended June 30, 2024;
- d. the accompanying notes to the pro forma financial statements;
- e. the Company's unaudited pro forma condensed combined financial information for the year ended December 31, 2023, which is incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K/A filed with the SEC on March 5, 2024.

Viper Energy, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2024

	Historical				Transaction Accounting Adjustments (Note 3)		Viper Pro Forma Combined
	Viper (Historical)	TWR Acquisition	Q Acquisition	M Acquisition	Reclass Adjustments	Acquisition Transaction Adjustments	
	(In thousands, unaudited)						
Assets							
Current assets:							
Cash and cash equivalents	\$ 35,211	\$ 6,754	\$ 24	\$ 52	\$ —	\$ (15,248) (c)(e)	\$ 26,793
Royalty income receivable (net of allowance for credit losses)	131,724	22,936	2,137	1,610	—	—	158,407
Royalty income receivable—related party	34,981	—	—	—	—	—	34,981
Accounts receivable— related party	—	45	—	—	(45) (a)	—	—
Accounts receivable	—	—	—	—	45 (a)	—	45
Prepaid expenses and other current assets	3,468	190	6	6	—	—	3,670
Total current assets	205,384	29,925	2,167	1,668	—	(15,248)	223,896
Property:							
Oil and natural gas interests, full cost method of accounting	4,567,518	—	—	—	539,786 (a)	576,985 (b)(c)(d)(e)(f)(g)(h)	5,684,289
Oil and natural gas interests, successful efforts method of accounting	—	481,099	35,410	23,277	(539,786) (a)	—	—
Land	5,688	—	—	—	—	—	5,688
Accumulated depletion and impairment	(961,646)	(38,646)	(10,021)	(6,448)	—	55,115 (f)	(961,646)
Other property and equipment, net	—	89	5	5	—	—	99
Property, net	3,611,560	442,542	25,394	16,834	—	632,100	4,728,430
Derivative instruments	2,134	—	—	—	—	—	2,134
Deferred income taxes (net of allowances)	76,393	—	—	—	—	—	76,393
Other assets	4,951	—	—	—	—	—	4,951
Equity method investment	—	5,950	—	—	—	(5,950) (h)	—
Deferred financing fees, net	—	17	—	—	—	(17) (g)	—
Total assets	\$ 3,900,422	\$ 478,434	\$ 27,561	\$ 18,502	\$ —	\$ 610,885	\$ 5,035,804
Liabilities and Unitholders' Equity							
Current liabilities:							
Accounts payable	\$ 19	\$ —	\$ —	\$ —	\$ 381 (a)	\$ —	\$ 400
Accounts payable and accrued expenses	—	1,385	168	117	(1,670) (a)	—	—
Accounts payable—related party	—	6	30	29	(65) (a)	—	—
Accrued liabilities	22,106	—	—	—	1,354 (a)	—	23,460
Derivative instruments	4,766	—	—	—	—	—	4,766
Income taxes payable	2,200	—	—	—	—	—	2,200
Total current liabilities	29,091	1,391	198	146	—	—	30,826
Long-term debt, net	998,021	—	—	—	—	250,000 (c)	1,248,021
Other long-term liabilities	—	—	—	—	—	26,428 (d)	26,428
Total liabilities	1,027,112	1,391	198	146	—	276,428	1,305,275
Stockholders' equity:							
Class A Common Stock, \$0.000001 par value	—	—	—	—	—	—	—
Class B Common Stock, \$0.000001 par value	—	—	—	—	—	—	—
Additional paid-in capital	1,108,739	—	—	—	—	389,377 (c)	1,498,116
Contributed capital	—	435,000	11,189	8,450	—	(454,639) (b)	—
Retained earnings (accumulated deficit)	(18,939)	42,043	16,174	9,906	—	(68,123) (b)	(18,939)
Total Viper Energy, Inc. stockholders' equity	1,089,800	477,043	27,363	18,356	—	(133,385)	1,479,177
Non-controlling interest	1,783,510	—	—	—	—	467,842 (c)	2,251,352
Total equity	2,873,310	477,043	27,363	18,356	—	334,457	3,730,529
Total liabilities and unitholders' equity	\$ 3,900,422	\$ 478,434	\$ 27,561	\$ 18,502	\$ —	\$ 610,885	\$ 5,035,804

Viper Energy, Inc.
Unaudited Condensed Combined Statement of Operations

Six Months Ended June 30, 2024

	Historical			Transaction Accounting Adjustments (Note 3)		Viper Pro Forma Combined
	Viper	TWR Acquisition	Q Acquisition	M Acquisition	Reclass Adjustments	
	(In thousands, except per share amounts)					
Operating income:						
Royalty income	420,553	31,423	5,528	3,657	—	461,161
Lease bonus income—related party	120	—	—	—	—	120
Lease bonus income	1,146	—	—	—	6,199 (a)	7,345
Lease bonus and other	—	4,236	1,177	786	(6,199) (a)	—
Other operating income	281	—	—	—	—	281
Total operating income	422,100	35,659	6,705	4,443	—	468,907
Costs and expenses:						
Lease operating expenses	—	—	—	—	168 (a)	168
Production and ad valorem taxes	29,607	2,044	387	257	—	32,295
Gathering and transportation	—	579	57	37	—	673
Depletion	95,293	—	—	—	17,769 (a)	111,963 (i)
Depletion, depreciation and amortization	—	14,173	2,151	1,445	(17,769) (a)	—
General and administrative expenses	4,666	3,481	1,719	286	(168) (a)	9,984
General and administrative expenses— related party	4,822	—	—	—	—	4,822
Other operating expense	233	—	—	—	—	233
Total costs and expenses	134,621	20,277	4,314	2,025	—	160,138 (j)
Income (loss) from operations	287,479	15,382	2,391	2,418	—	308,769
Other income (expense):						
Interest expense, net	(37,997)	—	—	—	(13) (a)	(9,387) (j)
Interest expense	—	(102)	—	—	102 (a)	—
Interest income	—	89	—	—	(89) (a)	—
Gain (loss) on derivative instruments, net	(2,146)	—	—	—	—	(1,210) (k)
Earnings from equity method investments	—	765	—	—	—	(765) (l)
Total other income (expense), net	(40,143)	752	—	—	—	(11,362)
Income (loss) before income taxes	247,336	16,134	2,391	2,418	—	258,016
Provision for (benefit from) income taxes	25,535 (c)	177	29	18	—	2,090 (n)
Net income (loss)	221,801	15,957	2,362	2,400	—	230,167
Net income (loss) attributable to non- controlling interest	121,540 (d)	—	—	—	—	1,134 (m)
Net income (loss) attributable to Viper Energy, Inc.	\$ 100,261	\$ 15,957	\$ 2,362	\$ 2,400	\$ —	\$ (13,487)
Net income (loss) attributable to common shares:						
Basic	\$ 1.12					\$ 1.09
Diluted	\$ 1.12					\$ 1.09
Weighted average number of common shares outstanding:						
Basic	89,480					8,630 (o)
Diluted	89,570					8,630 (o)

Viper Energy, Inc.
Unaudited Condensed Combined Statement of Operations

Year Ended December 31, 2023

	Historical				Transaction Accounting Adjustments (Note 3)		Viper Pro Forma Combined
	Viper ⁽¹⁾	TWR Acquisition	Q Acquisition	M Acquisition	Reclass Adjustments	Acquisition Transaction Adjustments	
	(In thousands, except per share amounts)						
Operating income:							
Royalty income	\$ 819,246	\$ 55,978	\$ 12,800	\$ 8,421	\$ —	\$ —	\$ 896,445
Lease bonus income—related party	107,823	—	—	—	—	—	107,823
Lease bonus income	3,643	—	—	—	570 (a)	—	4,213
Lease bonus and other	—	538	19	13	(570) (a)	—	—
Other operating income	909	—	—	—	—	—	909
Total operating income	931,621	56,516	12,819	8,434	—	—	1,009,390
Costs and expenses:							
Lease operating expense	—	—	—	—	177 (a)	—	177
Production and ad valorem taxes	57,432	3,295	747	453	—	—	61,927
Gathering and transportation	—	800	95	67	—	—	962
Depletion	185,019	—	—	—	27,212 (a)	1,977 (i)	214,208
Depletion, depreciation and amortization	—	20,757	3,857	2,598	(27,212) (a)	—	—
General and administrative expenses	23,360	6,303	2,574	499	(177) (a)	—	32,559
Other operating expense	356	—	—	—	—	—	356
Total costs and expenses	266,167	31,155	7,273	3,617	—	1,977	310,189
Income (loss) from operations	665,454	25,361	5,546	4,817	—	(1,977)	699,201
Other income (expense):							
Interest expense, net	(74,628)	—	—	—	254 (a)	(18,779) (j)	(93,153)
Interest expense	—	(12)	—	—	12 (a)	—	—
Interest income	—	255	11	—	(266) (a)	—	—
Gain (loss) on derivative instruments, net	(25,793)	—	—	—	—	(2,254) (k)	(28,047)
Earnings from equity method investments	—	996	—	—	—	(996) (l)	—
Other income, net	3,795	—	—	—	—	—	3,795
Total other income (expense), net	(96,626)	1,239	11	—	—	(22,029)	(117,405)
Income (loss) before income taxes	568,828	26,600	5,557	4,817	—	(24,006)	581,796
Provision for (benefit from) income taxes	53,136 (c)	270	47	37	—	757 (n)	54,247
Net income (loss)	515,692	26,330	5,510	4,780	—	(24,763)	527,549
Net income (loss) attributable to non-controlling interest	289,835 (d)	—	—	—	—	9,494 (m)	299,329
Net income (loss) attributable to Viper Energy, Inc.	\$ 225,857	\$ 26,330	\$ 5,510	\$ 4,780	\$ —	\$ (34,257)	\$ 228,220
Net income (loss) attributable to common shares:							
Basic	\$ 2.57						\$ 2.37
Diluted	\$ 2.57						\$ 2.37
Weighted average number of common shares outstanding:							
Basic	87,677					8,630 (o)	96,307
Diluted	87,677					8,630 (o)	96,307

(1) Viper's historical income statement for the year ended December 31, 2023 includes the effects of pro forma adjustments for the GRP Acquisition as presented in Exhibit 99.1 to the Company's Current Report on Form 8-K/A filed with the SEC on March 5, 2024 and incorporated by reference into these unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial statements were prepared based on the historical consolidated financial statements of the Company, GRP and the Tumbleweed Entities. Pro forma adjustments have been made to reflect the Tumbleweed Acquisitions and certain transaction accounting adjustments, as discussed further in Notes 2 and 3. The pro forma balance sheet gives effect to the Tumbleweed Acquisitions as if they had been completed on June 30, 2024. The pro forma statements of operations for the six months ended June 30, 2024 and the year ended December 31, 2023 give pro forma effect to the Tumbleweed Acquisitions and the GRP Acquisition as if they had occurred on January 1, 2023, the beginning of the earliest period presented.

The Tumbleweed Acquisitions are accounted for as acquisitions of assets under ASC 805. The Company therefore recognized the assets acquired and liabilities assumed in the Tumbleweed Acquisitions based on their costs to the Company, which includes the total consideration paid as well as capitalization of all transaction costs incurred.

In the opinion of management, all material adjustments have been made that are necessary to present fairly, in accordance with Article 11 of Regulation S-X, the pro forma financial statements. The pro forma financial statements are provided for illustrative purposes only and do not purport to be indicative of what the Company's actual results of operations and financial position would have been on a consolidated basis if the Tumbleweed Acquisitions and the GRP Acquisition had occurred on the dates indicated, nor are they indicative of the future results of operations or financial position.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma statements of operations are based on the weighted average number of the Company's Class A common stock outstanding, assuming the Tumbleweed Acquisitions, the GRP Acquisition and the assumed Equity Offering occurred at the beginning of the earliest period presented. For pro forma purposes, Viper's share price of \$46.35 as of September 4, 2024, was used to calculate the number of shares of Class A common stock issued in the assumed Equity Offering.

2. CONSIDERATION AND PURCHASE PRICE ALLOCATION

The Company has performed a preliminary analysis of the total consideration paid for the assets and liabilities acquired in the Tumbleweed Acquisitions. The total consideration for the Tumbleweed Acquisitions, including all associated transaction costs, has been allocated to the assets acquired and liabilities assumed. Due to the fact that the pro forma financial statements have been prepared based on these preliminary estimates, the final purchase price allocation and the resulting effect on the Company's financial position and results of operations may differ significantly from the pro forma amounts included herein.

The following table summarizes the combined preliminary purchase price for the Tumbleweed Acquisitions as of September 4, 2024, and the allocation of the total accumulated transaction costs to the assets acquired (in thousands except OpCo units and per unit amounts):

Consideration:	
OpCo units issued	10,093,670
Price per OpCo unit ⁽¹⁾	\$ 46.35
OpCo unit consideration	\$ 467,842
Cash consideration	650,000
Fair value of contingent consideration	26,428
Transaction costs	4,625
Total consideration (including fair value of OpCo units issued)	\$ 1,148,895
Purchase price allocation:	
Cash and cash equivalents	\$ 6,830
Royalty income receivable	26,683
Accounts receivable	45
Prepaid expenses and other current assets	202
Oil and natural gas interests	1,133,682
Other property and equipment, net	99
Amount attributable to assets acquired	1,167,541
Accounts payable	381
Accrued liabilities	1,354
Amount attributable to liabilities acquired	1,735
Net assets acquired	\$ 1,165,806

(1) Based on the closing share price of Viper's Class A common stock on September 4, 2024.

The total consideration for the Tumbleweed Acquisitions has been used to prepare the transaction accounting adjustments in the pro forma balance sheet and statements of operations. The total value of consideration, including the fair value of contingent consideration, is subject to change due to changes in the stock price on the TWR Acquisition closing date, customary purchase price adjustments including post-close adjustments, changes in the expected WTI 2025 Average and actual transaction costs incurred. The final amount and allocation of the total consideration is expected to be completed when the Company files its Form 10-K for the year ended December 31, 2024, and could differ materially from the preliminary allocation used in the transaction accounting adjustment.

3. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

The pro forma financial statements have been prepared to illustrate the effect of the Acquisition and have been prepared for informational purposes only.

(a) The following reclassifications were made as a result of the transaction to conform to Viper's presentation:

Pro Forma Balance Sheet as of June 30, 2024

- Reclassification of \$45.0 thousand from *Accounts receivable—related party* to *Accounts receivable*;
- Reclassification of \$539.8 million from *Oil and natural gas interests, successful efforts method of accounting* to *Oil and natural gas interests, full cost method of accounting*;
- Reclassification of approximately \$1.7 million from *Accounts payable and accrued expenses* consisting of \$1.4 million to *Accrued liabilities* and \$0.3 million to *Accounts payable*, and \$0.1 million from *Accounts payable—related party* to *Accounts payable*

Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2024

- Reclassification of \$6.2 million from *Lease bonus and other* to *Lease bonus income*
- Reclassification of \$0.2 million from *General and administrative expenses* to *Lease operating expenses*
- Reclassification of \$17.8 million from *Depletion, depreciation and amortization* to *Depletion*
- Reclassification of \$0.1 million and \$0.1 million from *Interest expense* and *Interest income*, respectively, to *Interest expense, net*

Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2023

- Reclassification of \$0.6 million from *Lease bonus and other* to *Lease bonus income*
- Reclassification of \$0.2 million from *General and administrative expenses* to *Lease operating expenses*
- Reclassification of \$27.2 million from *Depletion, depreciation and amortization* to *Depletion*
- Reclassification of \$12.0 thousand and \$0.3 million from *Interest expense* and *Interest income*, respectively, to *Interest expense, net*

(b) Represents the adjustment for the elimination of the Tumbleweed Entities' equity.

(c) Reflects the preliminary allocation of consideration due to the Tumbleweed Entities as follows:

- \$650.0 million decrease to *Cash and cash equivalents* and increase to *Oil and natural gas interests, full cost method of accounting*, for the cash consideration paid as part of the Tumbleweed Acquisitions.
- \$389.4 million increase to *Cash and cash equivalents* and *Additional paid-in capital* related to estimated net proceeds from the assumed Equity Offering of approximately \$467.8 million of Viper Class A shares net of \$10.6 million of estimated offering costs recorded as a reduction of issuance proceeds. See [Note 2—Consideration and Purchase Price Allocation](#).
- \$250.0 million increase to *Cash and cash equivalents* and *Long-term debt, net* to reflect the draw on Viper's revolving credit facility to fund a portion of consideration for the transaction.
- \$467.8 million increase to *Oil and natural gas interests, full cost method of accounting* and *Non-controlling interest* resulting from the expected issuance of 10.1 million OpCo units to TWR IV at an assumed price of \$46.35 per OpCo unit. See [Note 2—Consideration and Purchase Price Allocation](#).

(d) Reflects the \$26.4 million fair value at September 4, 2024, of contingent consideration payable to the Tumbleweed Entities pursuant to the Tumbleweed Acquisitions definitive purchase and sales agreement as an increase to *Other long-term liabilities* and an increase to *Oil and natural gas interests, full cost method of accounting*. See [Note 2—Consideration and Purchase Price Allocation](#).

(e) Reflects the \$4.6 million of transaction costs capitalized as part of the initial measurement of the assets acquired in accordance with the accounting rules for an asset acquisition as an increase to *Oil and natural gas interests, full cost method of accounting*, and a decrease to *Cash and cash equivalents*. [Note 2—Consideration and Purchase Price Allocation](#).

(f) Reflects the elimination of the Tumbleweed Entities' historical *Accumulated depletion and impairment*.

(g) Reflects the write off of TWR IV's historical unamortized debt issuance costs.

(h) Reflects the elimination of an equity method investment held by TWR IV that will be excluded from the pending TWR Acquisition.

Statements of Operations

The adjustments included in the pro forma condensed combined statements of operations for the six months ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

- (i) Reflects the change in *Depletion* computed on a unit of production basis under the full cost method of accounting following the preliminary purchase price allocation to *Oil and natural gas interests, full cost method of accounting*, as if the Tumbleweed Acquisitions and the GRP Acquisition were consummated on January 1, 2023.

- (j) Reflects the estimated interest expense that would have been recorded in the periods presented with respect to the incremental borrowings used to finance the cash consideration for the Tumbleweed Acquisitions. The pro forma statements of operations for the six months ended June 30, 2024 and for the year ended December 31, 2023 used the weighted average interest rate as of September 4, 2024 of approximately 7.5%, on the pro forma incremental outstanding borrowings on Viper's revolving credit facility of \$250.0 million, resulting in pro forma interest expense of \$9.4 million and \$18.8 million, respectively.
- (k) The Tumbleweed Acquisitions include provisions for amounts contingently payable by Viper to the Seller based on the satisfaction of certain commodity price thresholds in the future. This adjustment reflects the changes in fair value of the related contingent consideration liability of Viper for the periods presented.
- (l) Reflects the elimination of historical equity method investee earnings recorded by TWR IV for an equity method investment that will be excluded from the pending TWR Acquisition.
- (m) Reflects the impact to income (loss) attributable to non-controlling interest of issuing an approximate 5.2% ownership interest in OpCo to TWR IV for the pending TWR Acquisition and to issuing additional OpCo units to Viper in connection with the issuance of additional shares of Class A common stock in the assumed Equity Offering.
- (n) Reflects the estimated incremental income tax provision associated with the incremental pro forma income before taxes attributable to Viper, using a blended federal plus state statutory tax rate, net of federal benefit, of 21.9%.
- (o) Reflects the public issuance of approximately \$467.8 million of Viper Class A common shares to partially finance the TWR Acquisition. The additional common units were assumed to have been outstanding since the beginning of the periods presented. The following table reconciles historical and pro forma basic and diluted earnings per share utilizing the two-class method for the periods indicated:

	Six Months Ended June 30, 2024		Year Ended December 31, 2023	
	Viper (Historical)	Pro Forma	Viper (1)	Pro Forma
	(in thousands, except per share amounts)			
Net income (loss) attributable to the period	\$ 100,261	\$ 107,493	\$ 225,857	\$ 228,220
Less: distributed and undistributed earnings allocated to participating securities	172	172	333	337
Net income (loss) attributable to common unitholders	<u>\$ 100,089</u>	<u>\$ 107,321</u>	<u>\$ 225,524</u>	<u>\$ 227,883</u>
Weighted average common units outstanding:				
Basic weighted average common units outstanding	89,480	98,110	87,677	96,307
Effect of dilutive securities:				
Potential common units issuable	90	90	—	—
Diluted weighted average common units outstanding	<u>89,570</u>	<u>98,200</u>	<u>87,677</u>	<u>96,307</u>
Net income (loss) per common unit, basic	\$ 1.12	\$ 1.09	\$ 2.57	\$ 2.37
Net income (loss) per common unit, diluted	\$ 1.12	\$ 1.09	\$ 2.57	\$ 2.37

- (1) Viper's historical income statement and earnings per share amounts for the year ended December 31, 2023 as shown in the table above include the effects of pro forma adjustments for the GRP Acquisition as presented in Exhibit 99.1 to the Company's Current Report on Form 8-K/A filed with the SEC on March 5, 2024 and incorporated by reference into these unaudited pro forma condensed combined financial statements.
- (n) Reflects the estimated incremental income tax provision associated with the incremental pro forma income before taxes attributable to Viper, using a blended federal plus state statutory tax rate, net of federal benefit, of 21.9% for the six months ended June 30, 2024 and 21.8% for the year ended December 31, 2023.

4. SUPPLEMENTAL PRO FORMA OIL AND NATURAL GAS RESERVES INFORMATION

Net Proved Reserves

The historical information regarding net proved oil and natural gas reserves attributable to Viper's interests in proved properties as of December 31, 2023 is based on reserve estimates prepared by Viper's internal reservoir engineers and audited by Ryder Scott, LLP, an independent petroleum engineering firm.

The historical information regarding net proved oil and natural gas reserves attributable to the Tumbleweed Entities' interests in reserves, subject to the pending TWR Acquisition are based on reserves estimates prepared by Cawley, Gillespie & Associates, Inc., an independent petroleum engineering firm, as of December 31, 2023.

	Oil (MBbls)				Total (MBOE) ⁽¹⁾
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	
As of December 31, 2022	79,004	2,225	643	425	82,297
Purchase of reserves in place	10,469	1,480	—	—	11,949
Extensions and discoveries	13,636	1,171	271	179	15,257
Revisions of previous estimates	(5,178)	127	(17)	(11)	(5,079)
Production	(8,028)	(621)	(146)	(97)	(8,892)
As of December 31, 2023	89,903	4,382	751	496	95,532
Proved Developed Reserves:					
December 31, 2023	69,043	2,706	534	353	72,636
Proved Undeveloped Reserves:					
December 31, 2023	20,860	1,676	217	143	22,896

	Natural Gas (MMcf)				Total (MBOE) ⁽¹⁾
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	
As of December 31, 2022	209,964	11,303	2,223	1,472	224,962
Purchase of reserves in place	27,011	6,611	—	—	33,622
Extensions and discoveries	34,632	5,046	1,099	722	41,499
Revisions of previous estimates	11,101	499	71	42	11,713
Production	(19,130)	(1,706)	(244)	(163)	(21,243)
As of December 31, 2023	263,578	21,753	3,149	2,073	290,553
Proved Developed Reserves:					
December 31, 2023	221,462	13,930	2,255	1,485	239,132
Proved Undeveloped Reserves:					
December 31, 2023	42,116	7,823	894	588	51,421

	Natural Gas Liquids (MBbls)				Total (MBOE) ⁽¹⁾
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	
As of December 31, 2022	34,902	—	—	—	34,902
Purchase of reserves in place	4,006	—	—	—	4,006
Extensions and discoveries	6,150	—	—	—	6,150
Revisions of previous estimates	3,466	—	—	—	3,466
Production	(3,108)	—	—	—	(3,108)
As of December 31, 2023	45,416	—	—	—	45,416
Proved Developed Reserves:					
December 31, 2023	37,417	—	—	—	37,417
Proved Undeveloped Reserves:					
December 31, 2023	7,999	—	—	—	7,999

	Total (MBOE)				Total (MBOE) ⁽¹⁾
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	
As of December 31, 2022	148,900	4,109	1,013	671	154,693
Purchase of reserves in place	18,977	2,582	—	—	21,559
Extensions and discoveries	25,558	2,012	454	299	28,323
Revisions of previous estimates	138	210	(5)	(4)	339
Production	(14,324)	(905)	(187)	(124)	(15,540)
As of December 31, 2023	179,249	8,008	1,275	842	189,374
Proved Developed Reserves:					
December 31, 2023	143,371	5,028	909	601	149,909
Proved Undeveloped Reserves:					
December 31, 2023	35,878	2,980	366	241	39,465

(1) Estimates of reserves as of December 31, 2023 were prepared using the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month period ended December 31, 2023, in accordance with SEC guidelines. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for undeveloped acreage. The reserve estimates represent our net revenue interest in our properties. Although we believe these estimates are reasonable, actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from these estimates. MBOE equivalents are calculated using a conversion rate of six MMcf per one MBbl for natural gas.

Standardized Measure

The following table presents the pro forma combined standardized measure of discounted future net cash flows attributable to Viper's and the Tumbleweed Entities' proved oil and natural gas reserves as of December 31, 2023. The pro forma combined standardized measure shown below represents estimates only and has not been adjusted for projected combined income tax rates and does not reflect the market value of the reserves attributable to the acquired mineral and royalty interests.

December 31, 2023					
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	Pro Forma Combined
(In thousands)					
Future cash inflows	\$ 8,493,617	\$ 405,289	\$ 67,727	\$ 44,694	\$ 9,011,327
Future production taxes	(593,840)	(30,598)	(4,751)	(3,136)	(632,325)
Future development costs	—	(58)	—	—	(58)
Future income tax expense	(934,392)	(1,991)	(356)	(234)	(936,973)
Future net cash flows	6,965,385	372,642	62,620	41,324	7,441,971
10% discount to reflect timing of cash flows	(3,778,499)	(152,594)	(25,749)	(16,983)	(3,973,825)
Standardized measure of discounted future net cash flows	<u>\$ 3,186,886</u>	<u>\$ 220,048</u>	<u>\$ 36,871</u>	<u>\$ 24,341</u>	<u>\$ 3,468,146</u>

Principal changes in the standardized measure of discounted future net cash flows attributable to proved reserves are as follows:

Year Ended December 31, 2023					
	Viper Historical	TWR Acquisition	Q Acquisition	M Acquisition	Pro Forma Combined
(In thousands)					
Standardized measure of discounted future net cash flows at the beginning of the period	\$ 3,454,096	\$ 158,911	\$ 41,244	\$ 27,311	\$ 3,681,562
Purchase of minerals in place	473,742	73,277	—	—	547,019
Sales of oil and natural gas, net of production costs	(666,709)	(51,883)	(11,958)	(7,901)	(738,451)
Extensions and discoveries	626,854	57,605	13,510	8,886	706,855
Previously estimated development costs incurred during the period	—	1,303	—	—	1,303
Net changes in prices and production costs	(1,405,205)	(57,842)	(11,646)	(7,758)	(1,482,451)
Changes in estimated future development costs	—	(5)	—	—	(5)
Revisions of previous quantity estimates	2,726	2,241	(159)	(113)	4,695
Net changes in income taxes	212,391	(263)	25	17	212,170
Accretion of discount	427,998	15,983	4,148	2,747	450,876
Net changes in timing of production and other	60,993	20,721	1,707	1,152	84,573
Standardized measure of discounted future net cash flows at the end of the period	<u>\$ 3,186,886</u>	<u>\$ 220,048</u>	<u>\$ 36,871</u>	<u>\$ 24,341</u>	<u>\$ 3,468,146</u>

SUMMARY EVALUATION

TUMBLEWEED — Q ROYALTY PARTNERS INTERESTS

TOTAL PROVED RESERVES

CERTAIN PROPERTIES IN IN NEW MEXICO AND TEXAS

AS OF DECEMBER 31, 2023

SEC PRICING

CG&A

CAWLEY, GILLESPIE & ASSOCIATES, INC.
PETROLEUM CONSULTANTS

SUMMARY EVALUATION

TUMBLEWEED — Q ROYALTY PARTNERS INTERESTS

TOTAL PROVED RESERVES

CERTAIN PROPERTIES IN IN NEW MEXICO AND TEXAS

AS OF DECEMBER 31, 2023

SEC PRICING

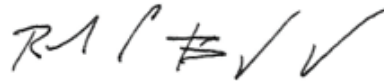
CAWLEY, GILLESPIE & ASSOCIATES, INC.

PETROLEUM CONSULTANTS

Texas Registered Engineering Firm F-693



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August 1, 2024

Mr. Ben Faith
Chief Operating Officer Tumbleweed - Q
Royalty Partners 3724 Hulen Street
Fort Worth, Texas 76107

Re: Evaluation Summary
Tumbleweed - Q Royalty Partners Interests
Total Proved Reserves
Certain Properties in New Mexico and Texas As of
December 31, 2023

*Pursuant to the Guidelines of the Securities and
Exchange Commission for Reporting Corporate
Reserves and Future Net Revenue*

Dear Mr. Faith:

As you have requested, this report was completed on August 1, 2024 for the purpose of submitting our estimates of proved reserves and forecasts of economics attributable to the *Tumbleweed - Q Royalty Partners* ("Tumbleweed") interests and for inclusion as an exhibit in a filing made with the U.S. Securities and Exchange Commission ("SEC"). This report includes 100% of Tumbleweed's proved reserves, which are made up of oil and gas properties in New Mexico and Texas. This report utilized an effective date of December 31, 2023, and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the SEC. A composite summary of the results of this evaluation are presented below:

		Proved Developed <u>Producing</u>	Proved Developed Non- <u>Producing</u>	Proved <u>Developed</u>	Proved <u>Undeveloped</u>	Total <u>Proved</u>
Net Reserves						
Oil	- Mbbl	477.7	56.2	533.9	217.2	751.2
Gas	- MMcf	2,014.1	241.0	2,255.1	893.9	3,149.0
NGL	- Mbbl	0.0	0.0	0.0	0.0	0.0
Net Revenue						
Oil	- M\$	37,053.2	4,358.4	41,411.7	16,849.1	58,260.8
Gas	- M\$	6,054.8	724.3	6,779.1	2,687.3	9,466.4
NGL	- M\$	0.0	0.0	0.0	0.0	0.0
Severance Taxes	- M\$	2,158.6	254.8	2,413.4	1,052.7	3,466.0
Ad Valorem Taxes	- M\$	819.0	96.6	915.5	369.7	1,285.2
Future Production Costs	- M\$	0.0	0.0	0.0	0.0	0.0
Future Development Costs	- M\$	0.0	0.0	0.0	0.0	0.0
Net Operating Income (BFIT)	- M\$	40,130.5	4,731.4	44,861.9	18,114.1	62,976.0
Discounted @ 10%	- M\$	23,407.7	2,997.5	26,405.2	10,675.4	37,080.6

Proved Developed (“PD”) reserves are the summation of the Proved Developed Producing (“PDP”) and Proved Developed Non-Producing (“PDNP”) reserve estimates. Proved Developed reserves were estimated at 533.9 Mbbl oil and 2,255.1 MMcf gas (or 909.8 MBOE), all of which is attributable to producing zones in existing wells.

Future net revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow (net operating income) is after deducting these taxes, future development costs (investments) and future production costs (operating expenses), but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its “present worth”. The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the reserves by Cawley, Gillespie & Associates, Inc. (“CG&A”).

The oil reserves, which include oil and condensate volumes, are expressed in barrels (42 U.S. gallons) and gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base.

Presentation

The report is divided into five reserve category sections: Total Proved (“TP”), Proved Developed (“PD”), Proved Developed Producing (“PDP”), Proved Developed Non-Producing (“PDNP”), and Proved Undeveloped (“PUD”) reserves. Within each reserve category section is a Table I and Table II (TP and PD contain Table I only). Each Table I presents composite reserve estimates and economic forecasts for the particular reserve category. Following each Table I is a Table II “online” summary that presents estimates of ultimate recovery, gross and net reserves, ownership, net revenue, taxes, expenses, investments, net income, and discounted cash flow for the individual properties that make up the corresponding Table I.

For a more detailed explanation of the report layout, please refer to the Table of Contents following this letter. The data presented in the composite Tables I are explained in page one (1) of the Appendix.

Hydrocarbon Pricing

The base oil and gas prices calculated for December 31, 2023 were \$78.22/BBL and \$2.637/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices (EIA) during January 2023 through December 2023 and the base gas price is based upon Henry Hub prices (Platts Gas Daily) during January 2023 through December 2023.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differential, treating cost, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$77.56 per barrel for oil and \$3.006 per MCF for natural gas. All economic factors were held constant in accordance with SEC guidelines.

Future Production Costs, Taxes, and Future Development Costs

Future Production Costs: Lease operating expenses (“LOE”) were forecast as furnished by your office and supplemented with regional averages based on similar offsetting operations and found to be reasonable for the purposes of this evaluation. LOE is not paid by the mineral owner but was applied in this evaluation to

aid in proper economic limit determinations for the mineral properties herein. Lease operating expenses were held constant throughout the life of the properties.

Taxes: Oil and gas severance tax values were determined by applying normal state severance tax rates. Ad valorem tax values were forecasted as provided by your office and appear reasonable and appropriate for this evaluation.

Future Development Costs: Drilling and completions costs (“investments”) were estimated based on lateral length and reservoir target. Capital is not paid by the mineral owner and therefore is not included in this evaluation. However, capital was used to assist in proper commerciality determinations of each upside location. Investments were not escalated in this report.

Reserve Estimation Methods

The methods employed in estimating reserves are described on page 2 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. We evaluated 547 PDP properties as part of this review with production volumes updated through November 2023 as provided by the company.

Non-producing reserve estimates, both developed and undeveloped, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting developed non-producing and undeveloped reserves. Proved undeveloped reserves have been estimated for locations that are drilled but not yet completed, are currently drilling, are permitted, or where the operator has indicated its intention to drill. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

SEC Conformance and Regulations

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 3 and 4 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. Federal, state, and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

This evaluation includes 57 proved developed non-producing locations consisting of drilled but not yet producing wells, along with 224 drilling locations, targeting various reservoirs in the Permian Basin of New Mexico and Texas. 214 of the drilling locations proposed as part of Tumbleweed’s development plan conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the working interest operators of these drills have indicated they have reasonably certain intent to complete this development plan within the next five years. Furthermore, the working interest operators of these locations have demonstrated through their actions that they have adequate company staffing, financial backing and prior development success to ensure this development plan will be executed as projected.

General Discussion

An on-site field inspection of the properties has not been performed nor has the mechanical operation or condition of the wells and their related facilities been examined, nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. Further, the costs of plugging and abandonment of wells have not been included herein, except for properties with working interests, since capital is not required from the mineral owner.

The reserve estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. Ownership information and economic factors such as liquid and gas prices, price differentials and expenses was furnished by your office. To some extent, information from public records was used to check and/or supplement these data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

Closing

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 60 years. This evaluation was supervised by W. Todd Brooker, President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #83462), with Professional Qualifications noted on the next page. We do not own an interest in the properties or *Tumbleweed - Q Royalty Partners* and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

CAWLEY, GILLESPIE & ASSOCIATES, INC.

Texas Registered Engineering Firm F-693

CAWLEY, GILLESPIE & ASSOCIATES, INC.

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Professional Qualifications of W. Todd Brooker, P.E. Primary Technical Person

The evaluation summarized by this report was conducted by a proficient team of geologists and reservoir engineers who integrate geological, geophysical, engineering and economic data to produce high quality reserve estimates and economic forecasts. This report was supervised by Todd Brooker, President of Cawley, Gillespie & Associates, Inc. (CG&A).

Prior to joining CG&A, Mr. Brooker worked in Gulf of Mexico drilling and production engineering at Chevron USA. Mr. Brooker has been an employee of CG&A since 1992 and became President in 2017. His responsibilities include reserve and economic evaluations, fair market valuations, expert reporting and testimony, field/reservoir studies, pipeline resource assessments, field development planning and acquisition/divestiture analysis. His reserve reports are routinely used for public company U.S. Securities and Exchange Commission (SEC) disclosures. His experience includes significant projects in both conventional and unconventional resources in every major U.S. producing basin and abroad, including oil and gas shale plays, coalbed methane fields, waterfloods and complex, faulted structures.

Mr. Brooker graduated with honors from the University of Texas at Austin in 1989 with a Bachelor of Science degree in Petroleum Engineering. He is a registered Professional Engineer in the State of Texas (License #83462), and a member of the Society of Petroleum Engineers (SPE) and the Society of Petroleum Evaluation Engineers (SPEE).

Based on his educational background, professional training and more than 30 years of experience, Mr. Brooker and CG&A continue to deliver independent, professional, ethical and reliable engineering and geological services to the petroleum industry.

CAWLEY, GILLESPIE & ASSOCIATES, INC.
TEXAS REGISTERED ENGINEERING FIRM F-693

APPENDIX
Explanatory Comments for Summary

HEADINGS

Table I
Description of Table Information
Identity of Interest Evaluated
Property Description - Location
Reserve Classification and Development Status
Effective Date of Evaluation

FORECAST

(Columns)

- (1) (11) (21) Calendar or Fiscal years/months commencing on effective date.
- (2) (3) (4) Gross Production (8/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5) (6) (7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales -- column (5) times column (8).
- (13) Revenue derived from gas sales -- column (6) times column (9).
- (14) Revenue derived from NGL sales -- column (7) times column (10).
- (15) Revenue derived from hedge sources.
- (16) Revenue not derived from column (12) through column (15); may include electrical sales revenue and saltwater disposal revenue.
- (17) Total Revenue – sum of column (12) through column (16).
- (18) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (19) Ad Valorem taxes.
- (20) \$/BOE6 – is the total of column (22), column (25), column (26), and column (27) divided by Barrels of Oil Equivalent (“BOE”). BOE is net oil production column (5) plus net gas production column (6) converted to oil at six Mcf gas per one bbl oil plus net NGL production column (7) converted to oil at one bbl NGL per 0.65 bbls of oil.
- (22) Operating Expense are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Workover Expense are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) 3rd Party COPAS are combined fixed rate administrative overhead charges for non-operated oil and gas producers.
- (27) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.
- (28) Investment, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29) (30) Future Net Cash Flow is column (17) less the total of column (18), column (19), column (22), column (25), column (26), column (27), and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

MISCELLANEOUS

DCF Profile • The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the “Without Hedge” case may be shown to the left of the main DCF profile.

Life • The economic life of the appraised property is noted in the lower right-hand corner of the table. Footnotes • Comments regarding the evaluation may be shown in the lower left-hand footnotes.

Price Deck • A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

APPENDIX

Methods Employed in the Estimation of Reserves

The four methods customarily employed in the estimation of reserves are (1) *production performance*, (2) *material balance*, (3) *volumetric* and (4) *analogy*. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.

Analogy. This method, which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is a common approach used for "resource plays," where an abundance of wells with similar production profiles facilitates the reliable estimation of future reserves with a relatively high degree of accuracy. The analogy method may also be applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained in this manner are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

APPENDIX
Reserve Definitions and Classifications

The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

"(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations— prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

"(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

"(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

"(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

"(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

"(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

"(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category 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.

"(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category 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.

"(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

"(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

"(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

"(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

"(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

"(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

"(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

"(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

"(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

"(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

"(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

"(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

"(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

"(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

"(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations."

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that "a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K." This is relevant in that Instruction 2 to paragraph (a)(2) states: "The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item."

"(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

"*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations)."

SUMMARY EVALUATION

MC TUMBLEWEED ROYALTY INTERESTS

TOTAL PROVED RESERVES

CERTAIN PROPERTIES IN NEW MEXICO AND TEXAS

AS OF DECEMBER 31, 2023

SEC PRICING

CG&A

CAWLEY, GILLESPIE & ASSOCIATES, INC.
PETROLEUM CONSULTANTS

SUMMARY EVALUATION

MC TUMBLEWEED ROYALTY INTERESTS

TOTAL PROVED RESERVES

CERTAIN PROPERTIES IN NEW MEXICO AND TEXAS

AS OF DECEMBER 31, 2023

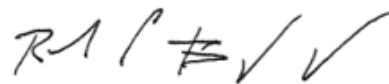
SEC PRICING

CAWLEY, GILLESPIE & ASSOCIATES, INC.

PETROLEUM CONSULTANTS
Texas Registered Engineering Firm F-693



W. TODD BROOKER, P.E.
PRESIDENT



ROBERT P. BERGERON, JR., P.E.
PARTNER



CAWLEY, GILLESPIE & ASSOCIATES, INC.

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August 1, 2024

Mr. Ben Faith
Chief Operating Officer MC Tumbleweed
Royalty 3724 Hulen Street
Fort Worth, Texas 76107

Re: Evaluation Summary
MC Tumbleweed Royalty Interests
Total Proved Reserves
Certain Properties in New Mexico and Texas As of December
31, 2023

*Pursuant to the Guidelines of the Securities and Exchange
Commission for Reporting Corporate Reserves and Future
Net Revenue*

Dear Mr. Faith:

As you have requested, this report was completed on August 1, 2024 for the purpose of submitting our estimates of proved reserves and forecasts of economics attributable to the *MC Tumbleweed Royalty* ("Tumbleweed") interests and for inclusion as an exhibit in a filing made with the U.S. Securities and Exchange Commission ("SEC"). This report includes 100% of Tumbleweed's proved reserves, which are made up of oil and gas properties in New Mexico and Texas. This report utilized an effective date of December 31, 2023, and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the SEC. A composite summary of the results of this evaluation are presented below:

		Proved Developed Producing	Proved Developed Non- Producing	Proved Developed	Proved Undeveloped	Total Proved
Net Reserves						
Oil	- Mbbl	316.1	37.1	353.2	142.7	495.9
Gas	- MMcf	1,326.9	158.6	1,485.5	587.6	2,073.2
NGL	- Mbbl	0.0	0.0	0.0	0.0	0.0
Net Revenue						
Oil	- M\$	24,516.0	2,880.5	27,396.5	11,065.5	38,462.1
Gas	- M\$	3,988.9	476.9	4,465.8	1,766.5	6,232.3
NGL	- M\$	0.0	0.0	0.0	0.0	0.0
Severance Taxes	- M\$	1,426.9	168.3	1,595.2	692.3	2,287.4
Ad Valorem Taxes	- M\$	541.6	63.8	605.3	242.8	848.1
Future Production Costs	- M\$	0.0	0.0	0.0	0.0	0.0
Future Development Costs	- M\$	0.0	0.0	0.0	0.0	0.0
Net Operating Income (BFIT)	- M\$	26,536.5	3,125.4	29,661.9	11,897.0	41,558.8
Discounted @ 10%	- M\$	15,483.0	1,980.4	17,463.3	7,015.6	24,478.9

Proved Developed (“PD”) reserves are the summation of the Proved Developed Producing (“PDP”) and Proved Developed Non-Producing (“PDNP”) reserve estimates. Proved Developed reserves were estimated at 353.2 Mbbbl oil and 1,485.5 MMcf gas (or 600.8 MBOE), all of which is attributable to producing zones in existing wells.

Future net revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow (net operating income) is after deducting these taxes, future development costs (investments) and future production costs (operating expenses), but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its “present worth”. The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the reserves by Cawley, Gillespie & Associates, Inc. (“CG&A”).

The oil reserves, which include oil and condensate volumes, are expressed in barrels (42 U.S. gallons) and gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base.

Presentation

The report is divided into five reserve category sections: Total Proved (“TP”), Proved Developed Producing (“PDP”), Proved Developed (“PD”), Proved Developed Non-Producing (“PDNP”), and Proved Undeveloped (“PUD”) reserves. Within each reserve category section is a Table I and Table II. Each Table I presents composite reserve estimates and economic forecasts for the particular reserve category. Following each Table I is a Table II “online” summary that presents estimates of ultimate recovery, gross and net reserves, ownership, net revenue, taxes, expenses, investments, net income, and discounted cash flow for the individual properties that make up the corresponding Table I.

For a more detailed explanation of the report layout, please refer to the Table of Contents following this letter. The data presented in the composite Tables I are explained in page one (1) of the Appendix.

Hydrocarbon Pricing

The base oil and gas prices calculated for December 31, 2023 were \$78.22/BBL and \$2.637/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices (EIA) during January 2023 through December 2023 and the base gas price is based upon Henry Hub prices (Platts Gas Daily) during January 2023 through December 2023.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differential, treating cost, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$77.56 per barrel for oil and \$3.006 per MCF for natural gas. All economic factors were held constant in accordance with SEC guidelines.

Future Production Costs, Taxes, and Future Development Costs

Future Production Costs: Lease operating expenses (“LOE”) were forecast as furnished by your office and supplemented with regional averages based on similar offsetting operations and found to be reasonable for the purposes of this evaluation. LOE is not paid by the mineral owner but was applied in this evaluation to

aid in proper economic limit determinations for the mineral properties herein. Lease operating expenses were held constant throughout the life of the properties.

Taxes: Oil and gas severance tax values were determined by applying normal state severance tax rates. Ad valorem tax values were forecasted as provided by your office and appear reasonable and appropriate for this evaluation.

Future Development Costs: Drilling and completions costs (“investments”) were estimated based on lateral length and reservoir target. Capital is not paid by the mineral owner and therefore is not included in this evaluation. However, capital was used to assist in proper commerciality determinations of each upside location. Investments were not escalated in this report.

Reserve Estimation Methods

The methods employed in estimating reserves are described on page 2 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. We evaluated 508 PDP properties as part of this review with production volumes updated through November 2023 as provided by the company.

Non-producing reserve estimates, both developed and undeveloped, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting developed non-producing and undeveloped reserves. Proved undeveloped reserves have been estimated for locations that are drilled but not yet completed, are currently drilling, are permitted, or where the operator has indicated its intention to drill. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

SEC Conformance and Regulations

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 3 and 4 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. Federal, state, and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

This evaluation includes 53 proved developed non-producing locations consisting of drilled but not yet producing wells, along with 209 drilling locations, targeting various reservoirs in the Permian Basin of New Mexico and Texas. 200 of the drilling locations proposed as part of Tumbleweed’s development plan conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the working interest operators of these drills have indicated they have reasonably certain intent to complete this development plan within the next five years. Furthermore, the working interest operators of these locations have demonstrated through their actions that they have adequate company staffing, financial backing and prior development success to ensure this development plan will be executed as projected.

General Discussion

An on-site field inspection of the properties has not been performed nor has the mechanical operation or condition of the wells and their related facilities been examined, nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. Further, the costs of plugging and abandonment of wells have not been included herein since capital is not required from the mineral owner.

The reserve estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. Ownership information and economic factors such as liquid and gas prices, price differentials and expenses was furnished by your office. To some extent, information from public records was used to check and/or supplement these data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

Closing

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 60 years. This evaluation was supervised by W. Todd Brooker, President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #83462), with Professional Qualifications noted on the next page. We do not own an interest in the properties or *MC Tumbleweed Royalty* and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

CAWLEY, GILLESPIE & ASSOCIATES, INC.
Texas Registered Engineering Firm F-693



W. TODD BROOKER, P.E.
PRESIDENT



ROBERT P. BERGERON, JR., P.E.
PARTNER



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Professional Qualifications of W. Todd Brooker, P.E. Primary Technical Person

The evaluation summarized by this report was conducted by a proficient team of geologists and reservoir engineers who integrate geological, geophysical, engineering and economic data to produce high quality reserve estimates and economic forecasts. This report was supervised by Todd Brooker, President of Cawley, Gillespie & Associates, Inc. (CG&A).

Prior to joining CG&A, Mr. Brooker worked in Gulf of Mexico drilling and production engineering at Chevron USA. Mr. Brooker has been an employee of CG&A since 1992 and became President in 2017. His responsibilities include reserve and economic evaluations, fair market valuations, expert reporting and testimony, field/reservoir studies, pipeline resource assessments, field development planning and acquisition/divestiture analysis. His reserve reports are routinely used for public company U.S. Securities and Exchange Commission (SEC) disclosures. His experience includes significant projects in both conventional and unconventional resources in every major U.S. producing basin and abroad, including oil and gas shale plays, coalbed methane fields, waterfloods and complex, faulted structures.

Mr. Brooker graduated with honors from the University of Texas at Austin in 1989 with a Bachelor of Science degree in Petroleum Engineering. He is a registered Professional Engineer in the State of Texas (License #83462), and a member of the Society of Petroleum Engineers (SPE) and the Society of Petroleum Evaluation Engineers (SPEE).

Based on his educational background, professional training and more than 30 years of experience, Mr. Brooker and CG&A continue to deliver independent, professional, ethical and reliable engineering and geological services to the petroleum industry.

CAWLEY, GILLESPIE & ASSOCIATES, INC.

Texas Registered Engineering Firm F-693

HEADINGS

Table I
Description of Table Information
Identity of Interest Evaluated
Property Description - Location
Reserve Classification and Development Status
Effective Date of Evaluation

FORECAST

(Columns)

- (1) (11) (21) Calendar or Fiscal years/months commencing on effective date.
- (2) (3) (4) Gross Production (8/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mdbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5) (6) (7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales -- column (5) times column (8).
- (13) Revenue derived from gas sales -- column (6) times column (9).
- (14) Revenue derived from NGL sales -- column (7) times column (10).
- (15) Revenue derived from hedge sources.
- (16) Revenue not derived from column (12) through column (15); may include electrical sales revenue and saltwater disposal revenue.
- (17) Total Revenue – sum of column (12) through column (16).
- (18) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (19) Ad Valorem taxes.
- (20) \$/BOE6 – is the total of column (22), column (25), column (26), and column (27) divided by Barrels of Oil Equivalent (“BOE”). BOE is net oil production column (5) plus net gas production column (6) converted to oil at six Mcf gas per one bbl oil plus net NGL production column (7) converted to oil at one bbl NGL per 0.65 bbls of oil.
- (22) Operating Expense are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Workover Expense are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) 3rd Party COPAS are combined fixed rate administrative overhead charges for non-operated oil and gas producers.
- (27) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.
- (28) Investment, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29) (30) Future Net Cash Flow is column (17) less the total of column (18), column (19), column (22), column (25), column (26), column (27), and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

MISCELLANEOUS

DCF Profile • The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the “Without Hedge” case may be shown to the left of the main DCF profile.

Life • The economic life of the appraised is noted in the lower right-hand corner of the table.

Footnotes • Comments regarding the evaluation may be shown in the lower left-hand footnotes.

Price Deck • A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

Methods Employed in the Estimation of Reserves

The four methods customarily employed in the estimation of reserves are (1) *production performance*, (2) *material balance*, (3) *volumetric* and (4) *analogy*. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.

Analogy. This method, which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is a common approach used for "resource plays," where an abundance of wells with similar production profiles facilitates the reliable estimation of future reserves with a relatively high degree of accuracy. The analogy method may also be applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained in this manner are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

APPENDIX

Reserve Definitions and Classifications

The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

"(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations— prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

"(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

"(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

"(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

"(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

"(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

"(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category 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.

"(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category 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.

"(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

"(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

"(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

"(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

"(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

"(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

"(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

"(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

"(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

"(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

"(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

"(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

"(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

"(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

"(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations."

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that "a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K." This is relevant in that Instruction 2 to paragraph (a)(2) states: "The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item."

"(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

"*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations)."

SUMMARY EVALUATION
TUMBLEWEED ROYALTY IV, LLC INTERESTS
TOTAL PROVED RESERVES
CERTAIN PROPERTIES IN NEW MEXICO AND TEXAS
AS OF DECEMBER 31, 2023

SEC PRICING

SUMMARY EVALUATION

TUMBLEWEED ROYALTY IV, LLC INTERESTS

TOTAL PROVED RESERVES

CERTAIN PROPERTIES IN IN NEW MEXICO AND TEXAS

AS OF DECEMBER 31, 2023

SEC PRICING

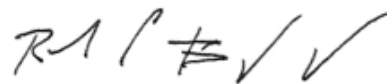
CAWLEY, GILLESPIE & ASSOCIATES, INC.

PETROLEUM CONSULTANTS

Texas Registered Engineering Firm F-693



W. TODD BROOKER, P.E.
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July 30, 2024

Mr. Ben Faith
Chief Operating Officer Tumbleweed Royalty IV,
LLC 3724 Hulen Street
Fort Worth, Texas 76107

Re: Evaluation Summary
Tumbleweed Royalty IV, LLC Interests
Total Proved Reserves
Certain Properties in New Mexico and Texas As of December
31, 2023

*Pursuant to the Guidelines of the Securities and Exchange
Commission for Reporting Corporate Reserves and Future
Net Revenue*

Dear Mr. Faith:

As you have requested, this report was completed on July 30, 2024 for the purpose of submitting our estimates of proved reserves and forecasts of economics attributable to the *Tumbleweed Royalty IV, LLC* (“Tumbleweed”) interests and for inclusion as an exhibit in a filing made with the U.S. Securities and Exchange Commission (“SEC”). This report includes 100% of Tumbleweed’s proved reserves, which are made up of oil and gas properties in New Mexico and Texas. This report utilized an effective date of December 31, 2023, and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the SEC. A composite summary of the results of this evaluation are presented below:

		Proved Developed <u>Producing</u>	Proved Developed Non- <u>Producing</u>	Proved <u>Developed</u>	Proved <u>Undeveloped</u>	Total <u>Proved</u>
Net Reserves						
Oil	- Mbbl	2,383.4	322.5	2,706.0	1,676.4	4,382.4
Gas	- MMcf	12,181.3	1,748.7	13,930.0	7,823.0	21,753.0
NGL	- Mbbl	0.0	0.0	0.0	0.0	0.0
Net Revenue						
Oil	- M\$	184,858.7	25,014.8	209,873.6	130,022.3	339,895.9
Gas	- M\$	36,619.3	5,256.9	41,876.2	23,517.3	65,393.4
NGL	- M\$	0.0	0.0	0.0	0.0	0.0
Severance Taxes	- M\$	11,473.9	1,550.0	13,023.9	8,313.5	21,337.4
Ad Valorem Taxes	- M\$	4,200.1	574.4	4,774.5	2,904.5	7,679.0
Future Production Costs	- M\$	1,581.5	0.0	1,581.5	0.0	1,581.5
Abandonment Costs	- M\$	57.6	0.0	57.6	0.0	57.6
Future Development Costs	- M\$	0.0	0.0	0.0	0.0	0.0
Net Operating Income (BFIT)	- M\$	204,164.9	28,147.3	232,312.2	142,321.6	374,633.7
Discounted @ 10%	- M\$	120,168.4	17,792.1	137,960.5	83,266.3	221,226.8

Proved Developed (“PD”) reserves are the summation of the Proved Developed Producing (“PDP”) and Proved Developed Non-Producing (“PDNP”) reserve estimates. Proved Developed reserves were estimated at 2,706.0 Mbbl oil and 13,930.0 MMcf gas (or 5,027.6 MBOE), all of which is attributable to producing zones in existing wells.

Future net revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow (net operating income) is after deducting these taxes, future development costs (investments) and future production costs (operating expenses), but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its “present worth”. The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the reserves by Cawley, Gillespie & Associates, Inc. (“CG&A”).

The oil reserves, which include oil and condensate volumes, are expressed in barrels (42 U.S. gallons) and gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base.

Presentation

The report is divided into five reserve category sections: Total Proved (“TP”), Proved Developed Producing (“PDP”), Proved Developed (“PD”), Proved Developed Non-Producing (“PDNP”), and Proved Undeveloped (“PUD”) reserves. Within each reserve category section is a Table I and Table II. Each Table I presents composite reserve estimates and economic forecasts for the particular reserve category. Following each Table I is a Table II “online” summary that presents estimates of ultimate recovery, gross and net reserves, ownership, net revenue, taxes, expenses, investments, net income, and discounted cash flow for the individual properties that make up the corresponding Table I.

For a more detailed explanation of the report layout, please refer to the Table of Contents following this letter. The data presented in the composite Tables I are explained in page one (1) of the Appendix.

Hydrocarbon Pricing

The base oil and gas prices calculated for December 31, 2023 were \$78.22/BBL and \$2.637/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices (EIA) during January 2023 through December 2023 and the base gas price is based upon Henry Hub prices (Platts Gas Daily) during January 2023 through December 2023.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differential, treating cost, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$77.56 per barrel for oil and \$3.006 per MCF for natural gas. All economic factors were held constant in accordance with SEC guidelines.

Future Development Costs, Taxes, and Future Development Costs

Future Production Costs: Lease operating expenses (“LOE”) were forecast as furnished by your office and supplemented with regional averages based on similar offsetting operations and found to be reasonable for the purposes of this evaluation. LOE is not paid by the mineral owner but was applied in this evaluation to aid in proper economic limit determinations for the mineral properties herein as well as the few working

interest properties. However, there are six (6) cases where the company does have a working interest in the wells and incurs LOE. Lease operating expenses were held constant throughout the life of the properties.

Taxes: Oil and gas severance tax values were determined by applying normal state severance tax rates. Ad valorem tax values were forecasted as provided by your office and appear reasonable and appropriate for this evaluation.

Future Development Cost: Drilling and completions costs (“investments”) were estimated based on lateral length and reservoir target. Capital is not paid by the mineral owner and therefore is not included in this evaluation. However, capital was used to assist in proper commerciality determinations of each upside location. Investments were not escalated in this report.

Reserve Estimation Methods

The methods employed in estimating reserves are described on page 2 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. We evaluated 2,139 PDP properties as part of this review with production volumes updated through November 2023 as provided by the company.

Non-producing reserve estimates, both developed and undeveloped, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting developed non-producing and undeveloped reserves. Proved undeveloped reserves have been estimated for locations that are drilled but not yet completed, are currently drilling, are permitted, or where the operator has indicated its intention to drill. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

SEC Conformance and Regulations

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 3 and 4 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. Federal, state, and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

This evaluation includes 144 proved developed non-producing locations consisting of drilled but not yet producing wells, along with 593 drilling locations, targeting various reservoirs in the Permian Basin of New Mexico and Texas. 581 of the drilling locations proposed as part of Tumbleweed’s development plan conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the working interest operators of these drills have indicated they have reasonably certain intent to complete this development plan within the next five years. Furthermore, the working interest operators of these locations have demonstrated through their actions that they have adequate company staffing, financial backing and prior development success to ensure this development plan will be executed as projected.

General Discussion

An on-site field inspection of the properties has not been performed nor has the mechanical operation or condition of the wells and their related facilities been examined, nor have the wells been tested by Cawley,

Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. However, the net cost of plugging and the salvage value of equipment at abandonment have been included herein as provided for the working interest properties.

The reserve estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. Ownership information and economic factors such as liquid and gas prices, price differentials and expenses was furnished by your office. To some extent, information from public records was used to check and/or supplement these data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

Closing

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 60 years. This evaluation was supervised by W. Todd Brooker, President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #83462), with Professional Qualifications noted on the next page. We do not own an interest in the properties or *Tumbleweed Royalty IV, LLC* and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our workpapers and related data utilized in the preparation of these estimates are available in our office.

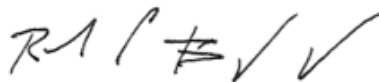
Yours very truly,

CAWLEY, GILLESPIE & ASSOCIATES, INC.

Texas Registered Engineering Firm F-693



W. TODD BROOKER, P.E.
PRESIDENT



ROBERT P. BERGERON, JR., P.E.
PARTNER



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Professional Qualifications of W. Todd Brooker, P.E. Primary Technical Person

The evaluation summarized by this report was conducted by a proficient team of geologists and reservoir engineers who integrate geological, geophysical, engineering and economic data to produce high quality reserve estimates and economic forecasts. This report was supervised by Todd Brooker, President of Cawley, Gillespie & Associates, Inc. (CG&A).

Prior to joining CG&A, Mr. Brooker worked in Gulf of Mexico drilling and production engineering at Chevron USA. Mr. Brooker has been an employee of CG&A since 1992 and became President in 2017. His responsibilities include reserve and economic evaluations, fair market valuations, expert reporting and testimony, field/reservoir studies, pipeline resource assessments, field development planning and acquisition/divestiture analysis. His reserve reports are routinely used for public company U.S. Securities and Exchange Commission (SEC) disclosures. His experience includes significant projects in both conventional and unconventional resources in every major U.S. producing basin and abroad, including oil and gas shale plays, coalbed methane fields, waterfloods and complex, faulted structures.

Mr. Brooker graduated with honors from the University of Texas at Austin in 1989 with a Bachelor of Science degree in Petroleum Engineering. He is a registered Professional Engineer in the State of Texas (License #83462), and a member of the Society of Petroleum Engineers (SPE) and the Society of Petroleum Evaluation Engineers (SPEE).

Based on his educational background, professional training and more than 30 years of experience, Mr. Brooker and CG&A continue to deliver independent, professional, ethical and reliable engineering and geological services to the petroleum industry.

CAWLEY, GILLESPIE & ASSOCIATES, INC.
Texas Registered Engineering Firm F-693

APPENDIX
Explanatory Comments for Summary Tables

HEADINGS

Table I
Description of Table Information
Identity of Interest Evaluated
Property Description - Location
Reserve Classification and Development Status
Effective Date of Evaluation

FORECAST

(Columns)

- (1) (11) (21) Calendar or Fiscal years/months commencing on effective date.
- (2) (3) (4) Gross Production (8/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5) (6) (7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales -- column (5) times column (8).
- (13) Revenue derived from gas sales -- column (6) times column (9).
- (14) Revenue derived from NGL sales -- column (7) times column (10).
- (15) Revenue derived from hedge sources.
- (16) Revenue not derived from column (12) through column (15); may include electrical sales revenue and saltwater disposal revenue.
- (17) Total Revenue – sum of column (12) through column (16).
- (18) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (19) Ad Valorem taxes.
- (20) \$/BOE6 – is the total of column (22), column (25), column (26), and column (27) divided by Barrels of Oil Equivalent (“BOE”). BOE is net oil production column (5) plus net gas production column (6) converted to oil at six Mcf gas per one bbl oil plus net NGL production column (7) converted to oil at one bbl NGL per 0.65 bbls of oil.
- (22) Operating Expense are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Workover Expense are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.
- (27) Abandonment Expense are costs for plugging and the salvage value of equipment at abandonment.
- (28) Investment, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29) (30) Future Net Cash Flow is column (17) less the total of column (18), column (19), column (22), column (25), column (26), column (27), and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

MISCELLANEOUS

- DCF Profile • The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the “Without Hedge” case may be shown to the left of the main DCF profile.
- Life • The economic life of the appraised is noted in the lower right-hand corner of the table. Footnotes • Comments regarding the evaluation may be shown in the lower left-hand footnotes.
- Price Deck • A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

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Appendix
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APPENDIX

Methods Employed in the Estimation of Reserves

The four methods customarily employed in the estimation of reserves are (1) *production performance*, (2) *material balance*, (3) *volumetric* and (4) *analogy*. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.

Analogy. This method, which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is a common approach used for "resource plays," where an abundance of wells with similar production profiles facilitates the reliable estimation of future reserves with a relatively high degree of accuracy. The analogy method may also be applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained in this manner are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

APPENDIX

Reserve Definitions and Classifications

The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

"(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations— prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

"(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

"(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

"(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

"(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

"(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

"(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category 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.

"(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category 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.

"(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

"(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

"(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

"(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

"(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

"(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

"(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

"(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).
reserves.

"(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable
reserves

"(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

"(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

"(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

"(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

"(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

"(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations."

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that "a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K." This is relevant in that Instruction 2 to paragraph (a)(2) states: "The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item."

"(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

"*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations)."