
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2022

OR

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

Commission file number 001-15555

Riley Exploration Permian, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

29 E. Reno Avenue, Suite 500 Oklahoma City, Oklahoma

(Address of Principal Executive Offices)

87-0267438

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

73104

(Zip Code)

Registrant's telephone number, including area code: **(405) 415-8699**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001	REPX	NYSE American

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

The total number of shares of common stock, par value \$0.001 per share, outstanding as of August 2, 2022 was 19,545,444.

RILEY EXPLORATION PERMIAN, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2022
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Unless the context requires otherwise or unless otherwise noted, all references in this Quarterly Report on Form 10-Q to the "Company," "Riley Permian," "REPX," "we," "us," or "our" are to Riley Exploration Permian, Inc., together with its consolidated subsidiaries.

DEFINITIONS

The following are abbreviations and definitions of certain terms used within this Quarterly Report on Form 10-Q:

Measurements.	
<i>Bbl</i>	One barrel or 42 U.S. gallons liquid volume of oil or other liquid hydrocarbons
<i>Boe</i>	One stock tank barrel equivalent of oil, calculated by converting gas volumes to equivalent oil barrels at a ratio of 6 thousand cubic feet of gas to 1 barrel of oil and by converting NGL volumes to equivalent oil barrels at a ratio of 1 barrel of NGL to 1 barrel of oil
<i>Boe/d</i>	Stock tank barrel equivalent of oil per day
<i>Btu</i>	British thermal unit. One British thermal unit is the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit
<i>MBbl</i>	One thousand barrels of oil or other liquid hydrocarbons
<i>MBoe</i>	One thousand Boe
<i>MBoe/d</i>	One thousand Boe per day
<i>Mcf</i>	One thousand cubic feet of gas
<i>MMBtu</i>	One million British thermal units
Abbreviations.	
<i>ARO</i>	Asset Retirement Obligation
<i>ASU</i>	Accounting Standards Update
<i>CO₂</i>	Carbon Dioxide
<i>EOR</i>	Enhanced Oil Recovery
<i>ESG</i>	Environmental, social, and governance
<i>GHG</i>	Greenhouse Gas
<i>LIBOR</i>	London Interbank Offered Rate
<i>LTIP</i>	Long-Term Incentive Plan
<i>NGL</i>	Natural gas liquids
<i>NYSE</i>	New York Stock Exchange
<i>Oil</i>	Crude oil and condensate
<i>RRC</i>	Railroad Commission of Texas
<i>SEC</i>	Securities and Exchange Commission
<i>SOFR</i>	Secured Overnight Financing Rate
<i>U.S. GAAP</i>	Accounting principles generally accepted in the United States of America
<i>WTI</i>	West Texas Intermediate

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this Quarterly Report on Form 10-Q ("Quarterly Report") are "forward-looking statements" as defined by the SEC. All statements, other than statements of historical fact, contained in this Quarterly Report that include information concerning our possible or assumed future results of operations, business strategies, need for financing, competitive position and potential growth opportunities represent management's beliefs and assumptions based on currently available information and they do not consider the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "intends," "may," "should," "anticipates," "expects," "could," "plans," "estimates," "projects," "targets" or comparable terminology or by discussions of strategy or trends. Such statements by their nature involve risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such forward-looking statements.

Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed under "Item 1A. Risk Factors" in this Quarterly Report and in our Annual Report on Form 10-K for the year ended September 30, 2021. We continue to face many risks and uncertainties including, but not limited to:

- the volatility of oil, natural gas and NGL prices;
- the scope, duration, and reoccurrence of any epidemics or pandemics (including, specifically, the coronavirus disease 2019 ("COVID-19") pandemic and any related variants), including reactive or proactive measures taken by governments, regulatory agencies and businesses related to the pandemic, and the effects of COVID-19 on the oil and natural gas industry, pricing and demand for oil and natural gas and supply chain logistics;
- regional supply and demand factors, any delays, curtailment delays or interruptions of production, and any governmental order, rule or regulation that may impose production limits;
- cost and availability of gathering, pipeline, refining, transportation and other midstream and downstream activities;
- severe weather and other risks that lead to a lack of any available markets;
- our ability to successfully complete mergers, acquisitions and divestitures;
- the risk that the Company's EOR project may not perform as expected or produce the anticipated benefits;
- risks relating to our operations, including development drilling and testing results and performance of acquired properties and newly drilled wells;
- any reduction in our borrowing base on our revolving credit facility from time to time and our ability to repay any excess borrowings as a result of such reduction;
- the impact of our derivative strategy and the results of future settlement;
- our ability to comply with the financial covenants contained in our revolving credit facility;
- changes in general economic, business or industry conditions, including changes in inflation rates, interest rates, and foreign currency exchange rates;
- conditions in the capital, financial and credit markets and our ability to obtain capital needed for development and exploration operations on favorable terms or at all;
- the loss of certain tax deductions;
- risks associated with executing our business strategy, including any changes in our strategy;
- inability to prove up undeveloped acreage and maintain production on leases;
- risks associated with concentration of operations in one major geographic area;
- legislative or regulatory changes, including initiatives related to hydraulic fracturing, emissions and disposal of produced water, which may be negatively impacted by regulation or legislation;
- the ability to receive drilling and other permits or approvals and rights-of-way in a timely manner (or at all), which may be restricted by governmental regulation and legislation;
- restrictions on the use of water, including limits on the use of produced water and a moratorium on new produced water well permits recently imposed by the RRC in an effort to control induced seismicity in the Permian Basin;
- risks related to litigation;
- actions taken by the members of OPEC and Russia affecting the production and pricing of oil, as well as other domestic and global political, economic, or diplomatic developments; and
- cybersecurity threats, technology system failures and data security issues.

All forward-looking statements speak only as of the date of this Quarterly Report. You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied by the forward-looking statements.

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	June 30, 2022	September 30, 2021
	(In thousands, except share amounts)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 16,800	\$ 17,067
Accounts receivable	32,821	17,473
Accounts receivable - related parties	—	456
Prepaid expenses and other current assets	3,029	1,730
Current derivative assets	1,134	—
Total current assets	53,784	36,726
Oil and natural gas properties, net (successful efforts)	402,526	345,797
Other property and equipment, net	4,407	3,183
Non-current derivative assets	300	106
Other non-current assets, net	4,814	2,419
Total Assets	\$ 465,831	\$ 388,231
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 20,244	\$ 12,234
Accounts payable - related parties	457	800
Accrued liabilities	18,616	18,555
Revenue payable	17,164	9,008
Current derivative liabilities	50,298	42,144
Other current liabilities	2,584	874
Total Current Liabilities	109,363	83,615
Non-current derivative liabilities	9,122	8,932
Asset retirement obligations	2,211	2,306
Revolving credit facility	61,000	60,000
Deferred tax liabilities	24,702	11,628
Other non-current liabilities	1,223	60
Total Liabilities	207,621	166,541
Commitments and Contingencies (Note 14)		
Shareholders' Equity:		
Preferred stock, \$0.0001 par value, 25,000,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value, 240,000,000 shares authorized; 19,865,116 and 19,672,050 shares issued and outstanding at June 30, 2022 and September 30, 2021, respectively	20	20
Additional paid-in capital	273,035	270,837
Accumulated deficit	(14,845)	(49,167)
Total Shareholders' Equity	258,210	221,690
Total Liabilities and Shareholders' Equity	\$ 465,831	\$ 388,231

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
(In thousands, except per share/unit amounts)				
Revenues:				
Oil and natural gas sales, net	\$ 87,781	\$ 41,549	\$ 211,076	\$ 100,622
Contract services - related parties	600	600	1,800	1,800
Total Revenues	88,381	42,149	212,876	102,422
Costs and Expenses:				
Lease operating expenses	8,062	5,766	22,311	16,289
Production and ad valorem taxes	5,526	2,017	12,033	6,061
Exploration costs	22	2,785	2,131	8,682
Depletion, depreciation, amortization and accretion	7,188	7,082	20,688	19,323
General and administrative:				
Administrative costs	4,399	4,030	12,046	9,176
Unit-based compensation expense	—	—	—	689
Share-based compensation expense	553	779	2,521	5,353
Cost of contract services - related parties	89	91	324	330
Transaction costs	—	321	3,896	3,534
Total Costs and Expenses	25,839	22,871	75,950	69,437
Income From Operations	62,542	19,278	136,926	32,985
Other Income (Expense):				
Interest expense, net	(697)	(1,171)	(2,271)	(3,571)
Loss on derivatives	(12,363)	(35,396)	(67,188)	(74,208)
Total Other Expense	(13,060)	(36,567)	(69,459)	(77,779)
Net Income (Loss) From Continuing Operations Before Income Taxes	49,482	(17,289)	67,467	(44,794)
Income tax expense	(10,927)	(3,245)	(14,682)	(16,953)
Net Income (Loss) From Continuing Operations	38,555	(20,534)	52,785	(61,747)

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
(In thousands, except per share/unit amounts)				
Discontinued Operations:				
Loss from discontinued operations	—	(882)	—	(19,513)
Income tax expense on discontinued operations	—	(85)	—	(60)
Loss on Discontinued Operations	—	(967)	—	(19,573)
Net Income (Loss)	38,555	(21,501)	52,785	(81,320)
Dividends on preferred units	—	—	—	(1,491)
Net Income (Loss) Attributable to Common Shareholders/Unitholders	\$ 38,555	\$ (21,501)	\$ 52,785	\$ (82,811)
Net Income (Loss) per Share/Unit from Continuing Operations:				
Basic	\$ 1.97	\$ (1.15)	\$ 2.71	\$ (4.25)
Diluted	\$ 1.96	\$ (1.15)	\$ 2.69	\$ (4.25)
Net Loss per Share/Unit from Discontinued Operations:				
Basic	\$ —	\$ (0.05)	\$ —	\$ (1.32)
Diluted	\$ —	\$ (0.05)	\$ —	\$ (1.32)
Net Income (Loss) per Share/Unit:				
Basic	\$ 1.97	\$ (1.20)	\$ 2.71	\$ (5.57)
Diluted	\$ 1.96	\$ (1.20)	\$ 2.69	\$ (5.57)
Weighted Average Common Shares/Units Outstanding:				
Basic	19,542	17,786	19,504	14,872
Diluted	19,660	17,786	19,620	14,872

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS'/SHAREHOLDERS' EQUITY
(Unaudited)
(In Thousands)

Nine Months Ended June 30, 2022								
	Members' Equity		Shareholders' Equity					
			Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	
	Units Outstanding	Amount	Shares	Amount				
Balance, September 30, 2021	—	\$ —	19,672	\$ 20	\$ 270,837	\$ (49,167)	\$ 221,690	
Share-based compensation expense	—	—	—	—	919	—	919	
Repurchased shares for tax withholding	—	—	(10)	—	(19)	—	(19)	
Issuance of common shares under long-term incentive plan	—	—	175	—	—	—	—	
Dividends declared	—	—	—	—	—	(6,150)	(6,150)	
Net income	—	—	—	—	—	21,398	21,398	
Balance, December 31, 2021	—	\$ —	19,837	\$ 20	\$ 271,737	\$ (33,919)	\$ 237,838	
Share-based compensation expense	—	—	—	—	1,061	—	1,061	
Repurchased shares for tax withholding	—	—	(13)	—	(339)	—	(339)	
Issuance of common shares under long-term incentive plan, net	—	—	30	—	—	—	—	
Dividends declared	—	—	—	—	—	(6,154)	(6,154)	
Net loss	—	—	—	—	—	(7,168)	(7,168)	
Balance, March 31, 2022	—	\$ —	19,854	\$ 20	\$ 272,459	\$ (47,241)	\$ 225,238	
Share-based compensation expense	—	—	—	—	828	—	828	
Repurchased shares for tax withholding	—	—	(9)	—	(252)	—	(252)	
Issuance of common shares under long-term incentive plan	—	—	20	—	—	—	—	
Dividends declared	—	—	—	—	—	(6,159)	(6,159)	
Net income	—	—	—	—	—	38,555	38,555	
Balance, June 30, 2022	—	\$ —	19,865	\$ 20	\$ 273,035	\$ (14,845)	\$ 258,210	

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS'/SHAREHOLDERS' EQUITY- (Continued)
(Unaudited)
(In Thousands)

Nine Months Ended June 30, 2021							
	Members' Equity		Shareholders' Equity				
			Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Units Outstanding	Amount	Shares	Amount			
Balance, September 30, 2020	1,555	\$ 166,617	—	\$ —	\$ —	\$ —	\$ —
Issuance of common units under long-term incentive plan	13	—	—	—	—	—	—
Dividends on preferred units	—	(917)	—	—	—	—	—
Dividends on common units	—	(3,801)	—	—	—	—	—
Unit-based compensation expense	—	413	—	—	—	—	—
Net loss	—	(7,941)	—	—	—	—	—
Balance, December 31, 2020	1,568	\$ 154,371	—	\$ —	\$ —	\$ —	\$ —
Purchase of common units under long-term incentive plan	(3)	(191)	—	—	—	—	—
Dividends on preferred units	—	(574)	—	—	—	—	—
Preferred units converted to common units	512	61,196	—	—	—	—	—
Dividends on common units	—	(3,770)	—	—	—	—	—
Unit-based compensation expense	—	276	—	—	—	—	—
Net loss from January 1, 2021 through February 26, 2021	—	(19,117)	—	—	—	—	—
Restricted common shares issued in exchange for common units issued under long-term incentive plan	(24)	—	198	—	—	—	—
Common shares issued in exchange for common units (effected for 1-for-12 reverse stock split)	(2,053)	(192,191)	16,733	17	192,174	—	192,191
Common shares issued for business combination	—	—	891	1	26,391	—	26,392
Restricted common shares issued	—	—	3	—	—	—	—
Share-based compensation expense	—	—	—	—	409	—	409
Dividends declared	—	—	—	—	—	(4,991)	(4,991)
Net loss from February 27, 2021 through March 31, 2021	—	—	—	—	—	(32,761)	(32,761)
Balance, March 31, 2021	—	\$ —	17,825	\$ 18	\$ 218,974	\$ (37,752)	\$ 181,240
Dividends paid	—	—	—	—	—	(55)	(55)
Share-based compensation expense	—	—	—	—	779	—	779
Issuance of common shares under long-term incentive plan	—	—	197	—	4,165	—	4,165
Net loss	—	—	—	—	—	(21,501)	(21,501)
Balance, June 30, 2021	—	\$ —	18,022	\$ 18	\$ 223,918	\$ (59,308)	\$ 164,628

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30,	
	2022	2021
	(In thousands)	
Cash Flows from Operating Activities:		
Net income (loss)	\$ 52,785	\$ (81,320)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations	—	19,573
Oil and gas lease expirations	2,053	8,615
Depletion, depreciation, amortization and accretion	20,688	19,323
Loss on derivatives	67,188	74,208
Settlements on derivative contracts	(60,172)	(5,133)
Amortization of deferred financing costs	655	483
Unit-based compensation expense	—	689
Share-based compensation expense	2,808	5,353
Deferred income tax expense	13,074	17,185
Changes in operating assets and liabilities:		
Accounts receivable	(15,348)	(5,545)
Accounts receivable – related parties	456	(1,940)
Prepaid expenses and other current assets	(1,311)	(534)
Accounts payable and accrued liabilities	5,101	5,042
Accounts payable - related parties	(343)	—
Revenue payable	8,156	3,006
Other current liabilities	1,197	(164)
Net Cash Provided by Operating Activities - Continuing Operations	96,987	58,841
Cash Flows from Investing Activities:		
Additions to oil and natural gas properties	(76,058)	(38,882)
Acquisitions of oil and natural gas properties	—	(171)
Additions to other property and equipment	(1,137)	(1,172)
Tengasco acquired cash	—	859
Net Cash Used in Investing Activities - Continuing Operations	(77,195)	(39,366)
Cash Flows from Financing Activities:		
Deferred financing costs	(1,989)	(135)
Proceeds from revolving credit facility	9,000	5,500
Repayment under revolving credit facility	(8,000)	(9,000)
Payment of common share/unit dividends	(18,254)	(12,834)
Payment of preferred unit dividends	—	(1,491)
Common stock repurchased for tax withholding	(816)	—
Purchase of common units under long-term incentive plan	—	(191)
Net Cash Used in Financing Activities - Continuing Operations	(20,059)	(18,151)
Net Increase (Decrease) in Cash and Cash Equivalents from Continuing Operations	(267)	1,324

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

RILEY EXPLORATION PERMIAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Unaudited)

	Nine Months Ended June 30,	
	2022	2021
	(In thousands)	
Cash Flows from Discontinued Operations:		
Operating activities	—	18
Investing activities	—	3,892
Net Increase in Cash and Cash Equivalents from Discontinued Operations	—	3,910
Net Increase (Decrease) in Cash and Cash Equivalents	(267)	5,234
Cash and Cash Equivalents, Beginning of Period	17,067	1,660
Cash and Cash Equivalents, End of Period	\$ 16,800	\$ 6,894
Supplemental Disclosure of Cash Flow Information		
Cash Paid For:		
Interest, net of capitalized interest	\$ 1,288	\$ 2,864
Non-cash Investing and Financing Activities - Continuing Operations:		
Changes in capital expenditures in accounts payable and accrued liabilities	\$ 2,153	\$ 7,909
Right-of-use assets obtained in exchange for operating lease liability	\$ 1,624	\$ —
Preferred unit dividends paid in kind	\$ —	\$ 904
Common stock issued in exchange for common units	\$ —	\$ 192,191
Assets acquired and liabilities assumed in business combination	\$ —	\$ 3,497
Common stock issued for business combination	\$ —	\$ 26,392
Preferred units converted to common units	\$ —	\$ 61,196
Non-cash Investing - Discontinued Operations:		
Goodwill incurred in business combination	\$ —	\$ 19,057
Assets acquired and liabilities assumed in business combination	\$ —	\$ 2,978

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

RILEY EXPLORATION PERMIAN, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Nature of Business

Organization

Riley Permian is a growth-oriented, independent oil and natural gas company focused on the acquisition, exploration, development and production of oil, natural gas and NGLs in Texas and New Mexico. Our activities primarily include the horizontal development of the San Andres formation, a shelf margin deposit on the Northwest Shelf of the Permian Basin. Our acreage is primarily located on large, contiguous blocks in Yoakum County, Texas.

On February 26, 2021 (the "Closing Date"), Riley Permian (f/k/a Tengasco, Inc. ("Tengasco")), consummated a merger, dated as of October 21, 2020, by and among Tengasco, Antman Sub, LLC, a newly formed Delaware limited liability company and wholly owned subsidiary of Tengasco ("Merger Sub"), and Riley Exploration – Permian, LLC ("REP LLC"). Merger Sub merged with and into REP LLC, with REP LLC as the surviving company and as a wholly-owned subsidiary of Tengasco (collectively, with the other transactions described in the Merger Agreement, the "Merger"). On the Closing Date, the Registrant changed its name from Tengasco, Inc. to Riley Exploration Permian, Inc.

(2) Basis of Presentation

These unaudited condensed consolidated financial statements as of June 30, 2022 and for the three and nine months ended June 30, 2022 and 2021 include the accounts of Riley Permian and its wholly owned subsidiaries REP LLC, Riley Permian Operating Company, LLC ("RPOC"), Tengasco Pipeline Corporation, Tennessee Land & Mineral Corporation, and Manufactured Methane Corporation, and have been prepared in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated upon consolidation. The Merger was accounted for as a reverse merger and, as such, the historical operations of REP LLC are deemed to be those of the Company. Thus, the condensed consolidated financial statements included in this report reflect (i) the historical operating results of REP LLC prior to the Merger; (ii) the consolidated results of the Company following the Merger; (iii) the assets and liabilities of REP LLC at their historical cost; and (iv) the Company's equity and earnings per share for all periods presented.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's most recent Annual Report on Form 10-K for the year ended September 30, 2021.

Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. These reclassifications had an immaterial effect on the previously reported balance sheets and results of operations or cash flows.

These condensed consolidated financial statements have not been audited by an independent registered public accounting firm. In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments necessary for fair presentation of the results of operations for the periods presented, which adjustments were of a normal recurring nature, except as disclosed herein. The results of operations for the three and nine months ended June 30, 2022 are not necessarily indicative of the results to be expected for the full fiscal year ending September 30, 2022, for various reasons, including as a result of the impact of fluctuations in prices received for oil and natural gas, natural production declines, the uncertainty of exploration and development drilling results, fluctuations in the fair value of derivative instruments, the future impacts of COVID-19, the current and future impacts of the military conflict between Russia and Ukraine, the volatile inflationary environment in U.S. markets and other factors.

(3) Summary of Significant Accounting Policies

Significant Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes.

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These estimates and assumptions may also affect disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include, but are not limited to, estimates of proved oil and natural gas reserves and related present value estimates of future net cash flows therefrom, the carrying value of oil and natural gas properties, accounts receivable, accrued capital expenditures and operating expenses, ARO, the fair value determination of acquired assets and assumed liabilities, certain tax accruals and the fair value of derivatives.

Accounts Receivable

Accounts receivable is summarized below:

	June 30, 2022	September 30, 2021
	(In thousands)	
Oil, natural gas and NGL sales	\$ 31,783	\$ 17,008
Joint interest accounts receivable	470	413
Other accounts receivable	568	52
Total accounts receivable	<u>\$ 32,821</u>	<u>\$ 17,473</u>

The Company had no allowance for credit losses at June 30, 2022 and September 30, 2021.

Other Non-Current Assets, Net

Other non-current assets consisted of the following:

	June 30, 2022	September 30, 2021
	(In thousands)	
Deferred financing costs, net	\$ 2,687	\$ 1,353
Prepayments to outside operators	450	707
Right of use assets	1,614	309
Other deposits	63	50
Total other non-current assets, net	<u>\$ 4,814</u>	<u>\$ 2,419</u>

The Company incurred \$1.7 million in financing costs related to the amendment of its revolving credit facility in April 2022. The Company also extended certain existing leases and entered into a new lease during the three months ended June 30, 2022, which resulted in additions to the right of use assets.

Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2022	September 30, 2021
	(In thousands)	
Accrued capital expenditures	\$ 9,079	\$ 9,718
Accrued lease operating expenses	3,207	2,428
Accrued general and administrative costs	3,262	3,575
Other accrued expenditures	3,068	2,834
Total accrued liabilities	<u>\$ 18,616</u>	<u>\$ 18,555</u>

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Asset Retirement Obligations

Components of the changes in ARO for the nine months ended June 30, 2022 and year ended September 30, 2021 are shown below:

	June 30, 2022	September 30, 2021
	(In thousands)	
ARO, beginning balance	\$ 2,434	\$ 2,326
Liabilities incurred	136	113
Liability settlements and disposals	(174)	(92)
Accretion	60	87
ARO, ending balance	2,456	2,434
Less: current ARO ⁽¹⁾	(245)	(128)
ARO, long-term	\$ 2,211	\$ 2,306

(1) Current ARO is included within other current liabilities on the accompanying condensed consolidated balance sheets.

Goodwill

At the closing of the Merger, the Company determined it had two reporting units, and the entire goodwill balance was included in the reporting unit acquired in the Merger (the "Kansas Reporting Unit"). The Company did not fully integrate the Kansas Reporting Unit in the Company's operations as it was deemed to be held for sale upon acquisition. The Company assessed the goodwill balance for impairment since the Company entered into a purchase and sale agreement ("PSA") in March 2021 for \$3.5 million before closing adjustments. As the carrying value exceeded the implied fair value at the time of the closing of the Merger, the Company concluded the goodwill balance associated with the Kansas Reporting Unit was impaired and recognized a goodwill impairment loss, included within loss from discontinued operations on the condensed consolidated statement of operations, of \$18.5 million for the nine months ended June 30, 2021. See further discussion in Note 12 - Discontinued Operations and Assets Held for Sale.

Revenue Recognition

The following table presents oil and natural gas sales disaggregated by product:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Oil and natural gas sales:				
Oil	\$ 82,501	\$ 39,504	\$ 195,500	\$ 92,395
Natural gas	2,850	957	7,344	5,592
Natural gas liquids	2,430	1,088	8,232	2,635
Total oil and natural gas sales, net	\$ 87,781	\$ 41,549	\$ 211,076	\$ 100,622

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes." This update is intended to simplify the accounting for income taxes by removing certain exceptions and by clarifying and amending existing guidance and is effective for public business entities beginning after December 15, 2020 with early adoption permitted. The Company adopted this ASU effective October 1, 2021. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"), which provides companies with optional guidance to ease

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the potential accounting burden associated with transitioning away from reference rates (e.g., LIBOR) that are expected to be discontinued. ASU 2020-04 allows, among other things, certain contract modifications, such as those within the scope of Topic 470 on debt, to be accounted as a continuation of the existing contract. The Company adopted this ASU effective concurrent with the amendment of the Company's revolving credit facility in April 2022. See Note 9 - Revolving Credit Facility for additional information on the amendment of the revolving credit facility. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

(4) Acquisitions

Business Combination Between REP LLC and Tengasco

Immediately prior to the closing of the Merger on February 26, 2021, REP LLC converted all of its issued and outstanding Series A Preferred Units into common units of REP LLC. In connection with the Merger, holders of common units of REP LLC were entitled to receive, in exchange for each common unit, shares of common stock of Tengasco (which was renamed Riley Exploration Permian, Inc.), par value \$0.001 per share ("Tengasco common stock") based on the exchange ratio set forth in the Merger Agreement (the "Exchange Ratio"), with cash paid in lieu of the issuance of any fractional shares. The Exchange Ratio was 97.796467 shares of Tengasco common stock for each common unit of REP LLC (as adjusted for the reverse stock split). Immediately prior to the closing of the Merger, Tengasco effected a one-for-twelve reverse stock split resulting in outstanding common stock of approximately 17.8 million shares including shares of Tengasco common stock issued in the Merger.

The combination between REP LLC and Tengasco qualified as a business combination with REP LLC being treated as the accounting acquirer. The assets acquired and liabilities assumed were recognized on the condensed consolidated balance sheet at fair value as of the acquisition date.

The consideration paid in the Merger by REP LLC as the accounting acquirer totaled approximately \$26.4 million and was determined based on the closing price of Tengasco's common stock on February 26, 2021 and the total number of shares outstanding immediately prior to the Merger. The Merger was structured as a tax-free reorganization for United States federal income tax purposes.

The following table summarizes the consideration for the Merger (presented in thousands, except stock price):

Tengasco common stock price	\$	29.64
Tengasco common stock - issued and outstanding as of February 26, 2021		891
Total consideration	\$	<u>26,392</u>

The Company incurred approximately \$5.0 million of related costs for the Merger, of which \$0.3 million and \$3.4 million was expensed for the three and nine months ended June 30, 2021 as transaction costs on the condensed consolidated statements of operations.

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The Company completed the determination of the fair value attributable to the assets acquired and liabilities assumed as of September 30, 2021. The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed based on their fair values on February 26, 2021 (in thousands):

Assets	
Cash and cash equivalents	\$ 860
Account receivable	325
Prepaid and other current assets	759
Total current assets	1,944
Oil and gas properties	4,525
Other property and equipment	91
Right of use assets	42
Other non-current assets	4
Deferred tax assets	2,987
Total assets acquired	9,593
Liabilities	
Accounts payable	130
Accrued liabilities	409
Current lease liabilities, operating	42
Current lease liabilities, financing	68
Total current liabilities	649
Asset retirement obligations	1,565
Total liabilities assumed	2,214
Net identifiable assets acquired	7,379
Goodwill	19,013
Net assets acquired	\$ 26,392

The goodwill recognized was primarily attributable to a substantial increase in the stock price of Tensasco on the Closing Date, which increased the amount of the consideration transferred.

Pro Forma Operating Results (Unaudited)

The following unaudited pro forma combined results for the three and nine months ended June 30, 2021 reflect the consolidated results of operations of the Company as if the Merger had occurred on October 1, 2019. The unaudited pro forma information includes adjustments for \$3.4 million of transaction costs being reclassified to the first quarter of fiscal year 2020 instead of \$0.3 million and \$3.4 million of transaction costs recorded in the three and nine months ended June 30, 2021, respectively. Additionally, the Company adjusted for \$0.9 million of oil and natural gas property impairment that Tensasco recognized under the full-cost method of accounting, which would not have been recognized under the successful efforts method, during the three months ended December 31, 2020. Also, the unaudited pro forma information has been tax affected

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using a 21% tax rate. The common stock was also adjusted for the conversion of the REP LLC preferred units into common units and retroactively adjusted for the Exchange Ratio and one-for-twelve reverse stock split.

	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2021
	(In thousands, except per share/unit amounts)	
Total Revenues	\$ 42,149	\$ 102,422
Pro Forma Net Loss before Taxes	(17,850)	(41,373)
Pro forma income tax benefit	3,749	8,688
Pro Forma Net Loss	\$ (14,101)	\$ (32,685)
Net Loss per Share/Unit from Continuing Operations:		
Basic	\$ (0.95)	\$ (2.51)
Diluted	\$ (0.95)	\$ (2.51)
Net Loss per Share/Unit from Discontinued Operations:		
Basic	\$ (0.05)	\$ (0.05)
Diluted	\$ (0.05)	\$ (0.05)

The unaudited pro forma combined financial information is for informational purposes only and is not intended to represent or to be indicative of the combined results of operations that the Company would have reported had the Merger been completed as of October 1, 2019 and should not be taken as indicative of the Company's future combined results of operations. The actual results may differ significantly from that reflected in the unaudited pro forma combined financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma combined financial information and actual results.

(5) Oil and Natural Gas Properties

Oil and natural gas properties are summarized below:

	June 30, 2022	September 30, 2021
	(In thousands)	
Proved	\$ 469,968	\$ 402,165
Unproved	13,655	20,557
Work-in-progress	27,384	11,411
	511,007	434,133
Accumulated depletion and amortization	(108,481)	(88,336)
Total oil and natural gas properties, net	\$ 402,526	\$ 345,797

Depletion and amortization expense for proved oil and natural gas properties was \$7.0 million and \$6.7 million respectively, for the three months ended June 30, 2022 and 2021. Depletion and amortization expense for proved oil and natural gas properties was \$20.1 million and \$18.7 million, respectively, for the nine months ended June 30, 2022 and 2021.

Exploration expense was \$22 thousand and \$2.8 million, respectively, for the three months ended June 30, 2022 and 2021, and \$2.1 million and \$8.7 million, respectively, for the nine months ended June 30, 2022 and 2021. Exploration expense was primarily attributable to the expiration of oil and natural gas leases for the nine months ended June 30, 2022 and three and nine months ended June 30, 2021.

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(6) Derivative Instruments

Oil and Natural Gas Contracts

The Company uses commodity based derivative contracts to reduce exposure to fluctuations in oil and natural gas prices. While the use of these contracts limits the downside risk for adverse price changes, their use also limits future revenues from favorable price changes. For the three and nine months ended June 30, 2022 and 2021, we have not designated our derivative contracts as hedges for accounting purposes, and therefore changes in the fair value of derivatives are included and recognized in other income (expense) in the condensed consolidated statement of operations.

As of June 30, 2022, the Company's oil and natural gas derivative instruments consisted of fixed price swaps, costless collars, and basis protection swaps. The following table summarizes the open financial derivative positions as of June 30, 2022, related to oil and natural gas production:

Calendar Quarter / Year	Notional Volume	Weighted Average Price			
		Fixed	Put	Call	
		(\$ per unit)			
Oil Swaps (Bbl)					
Q3 2022	270,000	\$ 56.03	\$ —	\$ —	
Q4 2022	270,000	\$ 56.03	\$ —	\$ —	
2023	720,000	\$ 53.27	\$ —	\$ —	
Natural Gas Swaps (Mcf)					
Q3 2022	540,000	\$ 3.26	\$ —	\$ —	
Q4 2022	540,000	\$ 3.26	\$ —	\$ —	
Oil Collars (Bbl)					
Q3 2022	117,000	\$ —	\$ 37.31	\$ 59.43	
Q4 2022	90,000	\$ —	\$ 35.00	\$ 42.63	
2023	—	\$ —	\$ —	\$ —	
2024	3,000	\$ —	\$ 50.00	\$ 88.00	
Oil Basis (Bbl)					
Q3 2022	240,000	\$ 0.41	\$ —	\$ —	
Q4 2022	240,000	\$ 0.41	\$ —	\$ —	

Interest Rate Contracts

The Company has entered into floating-to-fixed interest rate swaps, in which it receives a floating market rate equal to one-month LIBOR and pays a fixed interest rate, to manage interest rate exposure related to the Company's revolving credit facility.

The following table summarizes the open interest rate derivative positions as of June 30, 2022:

Open Coverage Period	Notional Amount (In thousands)	Fixed Rate
<i>Floating-to-Fixed Interest Rate Swaps</i>		
July 2022 - September 2023	\$ 40,000	0.24 %

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Balance Sheet Presentation of Derivatives

The following table presents the location and fair value of the Company's derivative contracts included in the condensed consolidated balance sheets as of June 30, 2022 and September 30, 2021:

Balance Sheet Classification	June 30, 2022		
	Gross Fair Value	Amounts Netted	Net Fair Value
	(In thousands)		
Current derivative assets	\$ 1,161	\$ (27)	\$ 1,134
Non-current derivative assets	313	(13)	300
Current derivative liabilities	(50,325)	27	(50,298)
Non-current derivative liabilities	(9,135)	13	(9,122)
Total	\$ (57,986)	\$ —	\$ (57,986)

Balance Sheet Classification	September 30, 2021		
	Gross Fair Value	Amounts Netted	Net Fair Value
	(In thousands)		
Current derivative assets	\$ 186	\$ (186)	\$ —
Non-current derivative assets	228	(122)	106
Current derivative liabilities	(42,330)	186	(42,144)
Non-current derivative liabilities	(9,054)	122	(8,932)
Total	\$ (50,970)	\$ —	\$ (50,970)

The following table presents the components of the Company's loss on derivatives for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Settlements on derivative contracts	\$ (25,783)	\$ (7,712)	\$ (60,172)	\$ (5,133)
Non-cash gain (loss) on derivatives	13,420	(27,684)	(7,016)	(69,075)
Loss on derivatives	\$ (12,363)	\$ (35,396)	\$ (67,188)	\$ (74,208)

(7) Fair Value Measurements

The FASB has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels. Level 1 inputs are the highest priority and consist of unadjusted quoted prices in active markets for identical assets and liabilities. Level 2 are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 are unobservable inputs for an asset or liability.

The carrying values of financial instruments comprising cash and cash equivalents, payables, receivables, and advances from joint interest owners approximate fair values due to the short-term maturities of these instruments. The carrying value reported for the revolving line of credit approximates fair value because the underlying instruments are at interest rates which approximate current market rates. The revolving line of credit is considered a Level 3 measurement.

Assets and Liabilities Measured on a Recurring Basis

The fair value of commodity derivatives and interest rate swaps is estimated using internal discounted cash flow calculations based upon forward curves. The following table presents the Company's financial assets and liabilities that were

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accounted for at fair value on a recurring basis as of June 30, 2022 and September 30, 2021, by level within the fair value hierarchy:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial assets:				
Commodity derivative assets	\$ —	\$ 40	\$ —	\$ 40
Interest rate assets	\$ —	\$ 1,434	\$ —	\$ 1,434
Financial liabilities:				
Commodity derivative liabilities	\$ —	\$ (59,460)	\$ —	\$ (59,460)
Interest rate liabilities	\$ —	\$ —	\$ —	\$ —
September 30, 2021				
	Level 1	Level 2	Level 3	Total
	(In thousands)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Commodity derivative assets	\$ —	\$ 308	\$ —	\$ 308
Interest rate assets	\$ —	\$ 106	\$ —	\$ 106
Financial liabilities:				
Commodity derivative liabilities	\$ —	\$ (51,336)	\$ —	\$ (51,336)
Interest rate liabilities	\$ —	\$ (48)	\$ —	\$ (48)

(8) Transactions with Related Parties

Contract Services

RPOC provides certain administrative services to Combo Resources, LLC ("Combo") and is also the contract operator on behalf of Combo in exchange for a monthly fee of \$100 thousand and reimbursement of all third party expenses pursuant to a contract services agreement. Additionally, RPOC provides certain administrative and operational services to Riley Exploration Group, LLC ("REG") in exchange for a monthly fee of \$100 thousand pursuant to a contract services agreement.

The following table presents revenues from contract services for related parties:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Combo	\$ 300	\$ 300	\$ 900	\$ 900
REG	300	300	900	900
Contract services - related parties	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Cost of contract services	\$ 89	\$ 91	\$ 324	\$ 330

The Company had amounts due (to) from Combo of \$(0.4) million and \$0.5 million at June 30, 2022 and September 30, 2021, respectively, which are reflected in accounts payable - related parties and accounts receivable - related parties on the accompanying condensed consolidated balance sheets. Amounts due (to) from Combo reflect the revenue, net of any expenditures for wells and fees due under the contract services agreement, for Combo's net working interest in wells that the Company operates on Combo's behalf.

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Consulting and Legal Fees

On January 25, 2022, the Company and di Santo Law PLLC ("di Santo Law"), a law firm owned by a member of our Board of Directors, entered into an engagement letter that provides a monthly fixed fee in exchange for general corporate legal services. The agreement has an initial term of one year and provides for a monthly cash payment of \$30 thousand and an aggregate one-time grant of 10,500 shares of restricted stock that will vest in four equal installments at the end of each quarter in calendar year 2022. Prior to entry into this agreement, di Santo Law's attorneys provided legal services to the Company based on hourly rates. The Company incurred legal fees from di Santo Law of approximately \$0.1 million and \$0.6 million for the three months ended June 30, 2022 and 2021, respectively. The Company incurred legal fees from di Santo Law of approximately \$0.6 million and \$1.0 million for the nine months ended June 30, 2022 and 2021. As of June 30, 2022 and September 30, 2021, the Company had approximately \$30 thousand and \$0.8 million, respectively, accrued for di Santo Law. Such amounts were included in accounts payable - related parties in the accompanying condensed consolidated balance sheets.

(9) Revolving Credit Facility

On September 28, 2017, REP LLC entered into a credit agreement (the "Credit Agreement") to establish a senior secured revolving credit facility with a syndicate of banks including SunTrust Bank, now Truist Bank as successor by merger, as administrative agent. Substantially all of the Company's assets are pledged to secure the revolving credit facility. The revolving credit facility had an initial borrowing base of \$25 million with a maximum facility amount of \$500 million. On April 29, 2022, the Company amended its Credit Agreement to, among other things, increase the borrowing base from \$175 million to \$200 million, extend the maturity date to April 2026, replace LIBOR with SOFR and change the requirements for hedging to be based on utilization of the borrowing base and the Company's leverage ratio.

The borrowing base is subject to periodic redeterminations, mandatory reductions and further adjustments from time to time. The facility currently requires semi-annual redeterminations on February 1 and August 1. During these redetermination periods, the Company's borrowing base may be increased or may be reduced in certain circumstances. The revolving credit facility allows for SOFR Loans and Base Rate Loans (each as defined in the Credit Agreement). The interest rate on each SOFR Loan will be the adjusted Term SOFR for the applicable interest period plus a margin between 2.75% and 3.75% (depending on the borrowing base utilization percentage). The annual interest rate on each Base Rate Loan will be the Base Rate for the applicable interest period plus a margin between 1.75% and 2.75% (depending on the borrowing base utilization percentage). The Company is also subject to an unused commitment fee of between 0.375% and 0.500% (depending on the borrowing base utilization percentage).

The Credit Agreement contains certain covenants, which, among other things, require the maintenance of (i) a total leverage ratio of not more than 3.25 to 1.0 and (ii) a minimum current ratio of not less than 1.0 to 1.0 as of the last day of any fiscal quarter. The Credit Agreement also contains a total leverage ratio for Restricted Payments, as defined in the Credit Agreement, after giving pro forma effect to such Restricted Payments, which includes payments to any holder of the Company's shares, would not exceed 2.50 to 1.0. If the Company's leverage ratio, after giving pro forma effect to such Restricted Payments (as defined in the Credit Agreement), is above 2.0 to 1.0, then an additional test of free cash flow is applied, and the Company will only be permitted to make such Restricted Payments if such payment does not exceed the Company's free cash flow. The Company is also required to limit its cash balance to less than \$15 million or 10% of the borrowing base, whichever is greater. If the Company's cash balance exceeds this limit on the last business day of the month, the Company will be required to apply the excess to reduce its credit facility borrowings. The Credit Agreement also contains other customary affirmative and negative covenants and events of default. The Company's minimum hedging requirement is between 0% and 50% (depending on the borrowing base utilization percentage and leverage ratio as of the hedge evaluation date) of its proved developed producing ("PDP") volumes on a rolling 24-month basis. As of June 30, 2022, the Company was required to have at least 25% of its PDP volumes hedged on a rolling 24-month basis.

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The following table summarizes the Company's interest expense:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Interest expense, net of capitalized interest	\$ 393	\$ 956	\$ 1,289	\$ 2,958
Amortization of deferred financing costs ⁽¹⁾	182	168	655	483
Unused commitment fees	122	47	327	130
Total interest expense, net	<u>\$ 697</u>	<u>\$ 1,171</u>	<u>\$ 2,271</u>	<u>\$ 3,571</u>

(1) Includes \$0.1 million of unamortized deferred financing costs written off during the nine months ended June 30, 2022 in conjunction with the amendment of the Credit Agreement in October 2021.

As of June 30, 2022 and September 30, 2021, the weighted average interest rate on outstanding borrowings under the revolving credit facility was 4.52% and 2.83%, respectively.

As of June 30, 2022, the Company was in compliance with all covenants contained in the Credit Agreement and had \$61 million of outstanding borrowings and \$139 million available under the borrowing base.

(10) Members'/Shareholders' Equity

Dividends

For the three months ended June 30, 2022, the Company declared quarterly dividends on its common stock totaling approximately \$6.2 million. No dividends were declared during the three months ended June 30, 2021. See Note 9 - Revolving Credit Facility for discussion over the Company's restrictions on certain payments, including dividends.

Share-Based and Unit-Based Compensation

In connection with the Merger, the Company shareholders adopted an omnibus equity incentive plan, the 2021 LTIP, for the employees, consultants and the directors of the Company and its affiliates who perform services for the Company. The holders of unvested restricted units issued under the 2018 LTIP were issued substitute awards under the 2021 LTIP at the closing of the Merger. Upon the closing of the Merger and after giving effect to the adjustment resulting from the one-for-twelve reverse stock split, the 2021 LTIP had 1,387,022 shares of common stock available for issuance, of which 761,635 shares remained available as of June 30, 2022.

2021 Long-Term Incentive Plan

The following table presents the Company's restricted stock activity during the nine months ended June 30, 2022 under the 2021 LTIP:

	2021 Long-Term Incentive Plan	
	Restricted Shares	Weighted Average Grant Date Fair Value
Unvested at September 30, 2021	228,369	\$ 15.35
Granted	224,158	\$ 23.94
Vested	(129,220)	\$ 17.31
Forfeited	(3,625)	\$ 23.46
Unvested at June 30, 2022	<u>319,682</u>	<u>\$ 20.50</u>

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For the three months ended June 30, 2022 and 2021, the total equity-based compensation expense of \$0.8 million and \$0.8 million, respectively, is included in general and administrative costs on the Company's condensed consolidated statement of operations for the restricted share awards granted under the 2021 LTIP. For the nine months ended June 30, 2022 and 2021, the total equity-based compensation expense of \$2.8 million and \$5.4 million, respectively, is included in general and administrative costs on the Company's condensed consolidated statement of operations for the restricted share awards granted under the 2021 LTIP. Approximately \$5.0 million of additional equity-based compensation expense will be recognized over the weighted average life of 23 months for the unvested restricted share awards as of June 30, 2022 granted under the 2021 LTIP.

2018 Long-Term Incentive Plan

In connection with the Merger and in accordance with the Merger Agreement, each unvested restricted unit outstanding under the 2018 LTIP was converted into restricted shares of the Company under the 2021 LTIP. The holders of unvested restricted units issued under the 2018 LTIP were issued substitute awards under the 2021 LTIP at the closing of the Merger.

Restricted Units: The Company granted 13,309 restricted units to executives and employees of the Company during the nine months ended June 30, 2021 under the 2018 LTIP. These restricted units had a vesting period of 36-months with a fair value price of \$112.47. The Company determined the fair value of the common units in accordance with ASC 718 using an options pricing model. Immediately prior to the consummation of the Merger and in accordance with the Merger Agreement, any accrued but unpaid cash dividends on the unvested restricted units issued under the 2018 LTIP was paid.

Total unit-based compensation expense of \$0.7 million is for all of the issuances outstanding during the nine months ended June 30, 2021. Unit-based compensation expense is included in general and administrative costs on the Company's condensed consolidated statement of operations.

(11) Income Taxes

REP LLC was organized as a limited liability company and treated as a flow-through entity for federal income tax purposes. As such, taxable income and any related tax credits were passed through to its members and included in their tax returns, even though such taxable income or tax credits may not have been distributed. In connection with the closing of the Merger, the Company's tax status changed from a limited liability company to a C-corporation. As a result, the Company is responsible for federal and state income taxes and must record deferred tax assets and liabilities for the tax effects of any temporary differences that exist.

The components of the Company's consolidated provision for income taxes from continuing operations are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Current income tax expense (benefit):				
Federal	\$ 531	\$ (780)	\$ 1,300	\$ —
State	184	(229)	308	(232)
Total current income tax expense (benefit)	\$ 715	\$ (1,009)	\$ 1,608	\$ (232)
Deferred income tax expense (benefit):				
Federal	\$ 9,875	\$ 6,629	\$ 12,648	\$ 20,629
State	337	(2,375)	426	(3,444)
Total deferred income tax expense	10,212	4,254	13,074	17,185
Total income tax expense	\$ 10,927	\$ 3,245	\$ 14,682	\$ 16,953

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A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Tax at statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
Nondeductible compensation	0.2 %	(21.8)%	0.2 %	(8.5)%
Transaction costs	— %	(32.6)%	— %	(12.8)%
Stock compensation	— %	(0.1)%	(0.3)%	(0.1)%
State income taxes, net of federal benefit	0.8 %	14.9 %	0.9 %	5.8 %
Change in tax status	— %	— %	— %	(30.5)%
Income subject to taxation by REP LLC's unitholders	— %	(0.2)%	— %	(12.9)%
Effective income tax rate	22.0 %	(18.8)%	21.8 %	(38.0)%

The Company's federal income tax returns for the years subsequent to September 30, 2018 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to September 30, 2018. The Company currently believes that all other significant filing positions are highly certain and that all of its other significant income tax positions and deductions would be sustained under audit or the final resolution would not have a material effect on the consolidated financial statements. Therefore, the Company has not established any significant reserves for uncertain tax positions.

(12) Discontinued Operations and Assets Held For Sale

Kansas Reporting Unit

On March 10, 2021, the Company entered into a PSA to divest of the Kansas Reporting Unit for an agreed upon purchase price of \$3.5 million before certain closing adjustments. In addition, the Company also agreed to assign to the buyer its lease associated with Tengasco's former corporate office in Greenwood Village, Colorado. With Tengasco qualifying as a business and the Kansas Reporting Unit making up a significant portion of the assets of Tengasco, the Company concluded that the transaction met the requirements of assets held for sale and discontinued operations upon the acquisition date. The sale closed on April 2, 2021 for an adjusted purchase price of \$3.3 million, after customary closing adjustments.

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The following table presents the components of the loss on discontinued operations reported in the condensed consolidated statements of operations for the periods ended June 30, 2021:

	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2021
	(In thousands)	
Oil and natural gas sales	\$ —	\$ —
Total revenues	—	—
Lease operating expenses	—	115
Goodwill impairment	—	18,516
Total expenses	—	18,631
Other expenses	882	882
Loss from discontinued operations before income taxes	(882)	(19,513)
Income tax expense	(85)	(60)
Net loss from discontinued operations, net of tax	\$ (967)	\$ (19,573)

The Company did not have any discontinued operations during the three and nine months ended June 30, 2022.

(13) Net Income (Loss) Per Share/Unit

Net income (loss) per share/unit is calculated using a retroactive application of the Exchange Ratio and the one-for-twelve reverse stock split that occurred in conjunction with the Merger. The Company calculated net income or loss per share/unit using the treasury stock method.

The table below sets forth the computation of basic and diluted net income (loss) per share/unit for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except per share/unit)			
Continuing Operations:				
Net income (loss) - Diluted	\$ 38,555	\$ (20,534)	\$ 52,785	\$ (61,747)
Less: Dividends on preferred units	—	—	—	(1,491)
Net income (loss) attributable to common shareholders/unitholders - Basic ⁽¹⁾	<u>\$ 38,555</u>	<u>\$ (20,534)</u>	<u>\$ 52,785</u>	<u>\$ (63,238)</u>
Basic weighted-average common shares/units outstanding	19,542	17,786	19,504	14,872
Effecting of dilutive securities:				
Restricted shares/units	118	—	116	—
Diluted weighted-average common shares/units outstanding	<u>19,660</u>	<u>17,786</u>	<u>19,620</u>	<u>14,872</u>
Continuing Operations:				
Basic net income (loss) per common share/unit	\$ 1.97	\$ (1.15)	\$ 2.71	\$ (4.25)
Diluted net income (loss) per common share/unit	\$ 1.96	\$ (1.15)	\$ 2.69	\$ (4.25)

(1) Used in basic and diluted net loss per share calculation when the Company is in a net loss position.

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For the three and nine months ended June 30, 2022 and 2021, the following shares/units were excluded from the calculation of diluted net income (loss) per share/unit due to their anti-dilutive effect:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Restricted shares/units	202	236	204	236

(14) Commitments and Contingencies

Legal Matters

The Company has been named as a defendant in an action commenced on October 25, 2021 in United States Bankruptcy Court for the Northern District of Texas, Dallas Division, by the Chapter 7 Trustee for the Hoactzin Bankruptcy. The Company was served with this lawsuit on or about December 7, 2021. The complaint alleges that in October of 2018, one year prior to the Hoactzin bankruptcy filing in October of 2019, Peter Salas ("Salas"), Chairman of the Board of Tengasco during the period of the purported fraudulent transfers, caused Hoactzin to transfer its working interests in certain wells on its Kansas acreage (the "Kansas Working Interests") to the Company for an amount the complaint alleges was purportedly less than the reasonable equivalent value of such Kansas Working Interests. The complaint includes avoidance actions and other causes of action in connection with the transfer of the Kansas Working Interests, as well as other causes of action alleged related to certain transactions to which the Company was not a party.

The complaint also alleges that Salas, Dolphin Direct Equity Partners, L.P. ("DDEP"), an entity substantially owned by Salas, and the Company are jointly and severally liable for the damages incurred by Hoactzin. In connection with the Company's merger in February 2021, Salas resigned his position from the Company's Board and no longer holds any position as an officer or director of the Company. On April 2, 2021, the Company closed on the sale of all the assets it held in Kansas (of which the Kansas Working Interests were a small part) to a third party for an agreed upon purchase price of \$3.3 million.

The Company believes that the claims are without merit and is asserting a vigorous defense. The Company has filed an answer denying the allegations. The parties are conducting discovery.

The Company did not recognize any material liability as of June 30, 2022 and September 30, 2021. The Company's assessment of probability and/or estimates of liabilities are based on information known about the pending legal matters and its experience in contesting, litigating, and settling similar matters. Although actual amounts could differ from management's estimates, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations, or liquidity after consideration of recorded accruals. Management does not expect that the losses from any litigation matters or claims that are reasonably possible to occur will have a material adverse effect on the Company's financial position, results of operations, or liquidity.

Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws, which are often changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. The Company had no environmental liabilities as of June 30, 2022 or September 30, 2021.

Contractual Commitments

In July 2021, as part of a planned expansion of the primary gas processing plant owned by the Company's primary midstream counterparty, Stakeholder Midstream LLC ("Stakeholder"), the Company committed to annually drill, complete and connect a minimum number of wells or deliver an annual target volume to Stakeholder's gathering system. While the minimum number of wells is below our planned development activity, there are financial penalties if the minimum activity levels are not met. The annual well or volume target is for each of five years beginning January 2022. The additional capacity from the gas processing plant expansion is expected to lead to increased natural gas sales and decreased gas flaring for the Company.

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On October 7, 2021, the Company executed two agreements related to its EOR project. The first agreement is a CO₂ purchase agreement with Kinder Morgan CO₂ Company, LLC and the second agreement is a connection agreement that also established a delivery point for the purchased CO₂ with the Cortez Pipeline Company.

On March 25, 2022, the Company executed a purchase order for facility and support equipment for its EOR project. Under the order, the Company has remaining commitments totaling approximately \$2.0 million, and the equipment will be delivered within 29 weeks of executing the purchase order.

On April 22, 2022, the Company entered into a purchase agreement for pipe related to its fiscal 2023 drilling program. Under the agreement, the Company has commitments to purchase approximately \$10.6 million of pipe by December 2022.

(15) Subsequent Events

On July 11, 2022, the Board of Directors of the Company declared a cash dividend of \$0.31 per share of common stock, payable on August 8, 2022 to its shareholders of record at the close of business on July 25, 2022.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's condensed consolidated financial statements and related notes thereto presented in this report as well as the Company's audited consolidated financial statements and related notes included in the Company's Annual Report for the fiscal year ended September 30, 2021. The following discussion contains "forward-looking statements" that reflect the Company's future plans, estimates, beliefs and expected performance. The Company's actual results could differ materially from those discussed in these forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" and "Part II. Item 1A. Risk Factors" below and the information set forth in the Risk Factors under Part I, Item 1A of the Company's Annual Report for the fiscal year ended September 30, 2021.

Overview

We operate in the upstream segment of the oil and natural gas industry and are focused on steadily growing conventional reserves, production and cash flow through the acquisition, exploration, development and production of oil, natural gas and NGLs primarily in the Permian Basin in West Texas. The Company's activities are primarily focused on the San Andres Formation, a shelf margin deposit on the Central Basin Platform and Northwest Shelf. We intend to continue to develop our reserves and increase production through development drilling and exploration activities and through acquisitions that meet our strategic and financial objectives.

Financial and Operating Highlights

Financial and operating results reflect the following:

- Increased total net equivalent production by 12% to 10.2 MBoe/d for the three months ended June 30, 2022, as compared to the same period in 2021 and 20% to 10.0 MBoe/d for the nine months ended June 30, 2022, as compared to the same period in 2021
- During the three and nine months ended June 30, 2022, 5 gross (5.0 net) and 12 gross (10.8 net) horizontal wells brought online to production, respectively
- Realized average combined price on production sold of \$94.80 per Boe, before derivative settlements, during the three months ended June 30, 2022, including \$108.41 per barrel for oil
- Generated cash flow from operations of \$97.0 million for the nine months ended June 30, 2022
- Total accrued capital expenditures of \$34.4 million and \$80.5 million for the three and nine months ended June 30, 2022, respectively
- Paid cash dividends on common shares of \$6.1 million during the three months ended June 30, 2022, and announced latest dividend of \$0.31 per share with a record date of July 25, 2022, which was paid on August 8, 2022, for a total of \$6.1 million
- Exited the fiscal third quarter with \$16.8 million in cash and \$61.0 million drawn on our revolving credit facility

Recent Developments

Market Conditions and Commodity Prices

U.S. and global markets are experiencing heightened volatility following impactful geopolitical events, consistent evidence of widespread inflation, as well as increased fears of an economic recession. Though less impactful than during 2021, cases of COVID-19 continue to affect global activity and demand for commodity products. Additionally, the full-scale military invasion of Ukraine by Russian troops has continued unabated since February 2022. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine has led to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions.

In addition, global markets are experiencing significant inflation attributable to a number of factors. Certain of our capital expenditures and expenses are affected by general inflation and we expect costs for the remainder of 2022 to continue to be a

function of supply and demand. Specifically, costs for oilfield equipment and services continue to experience significant inflation, which we expect to continue for the foreseeable future.

In response to inflation concerns, the U.S. Federal Reserve initiated a monetary tightening policy in 2022, sharply increasing interest rates in June and July 2022 with public estimates of further increases in the future. The Company's floating-rate credit facility will be impacted by such rate increases.

The combination of geopolitical events, inflation and the rising rate environment has led to increasing forecasts of a U.S. or global recession. Any such recession could prolong market volatility or cause a decline in commodity prices, among other potential impacts.

The Company cannot estimate the length or gravity of the future impact these events will have on the Company's results of operations, financial position, liquidity and the value of oil and natural gas reserves.

Results of Operations

Comparison for the three and nine months ended June 30, 2022 and 2021

The following table sets forth selected operating data for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Revenues (in thousands):				
Oil sales	\$ 82,501	\$ 39,504	\$ 195,500	\$ 92,395
Natural gas sales	2,850	957	7,344	5,592
Natural gas liquids sales	2,430	1,088	8,232	2,635
Oil and natural gas sales, net	<u>\$ 87,781</u>	<u>\$ 41,549</u>	<u>\$ 211,076</u>	<u>\$ 100,622</u>
Production Data, net:				
Oil (MBbls)	761	612	2,104	1,702
Natural gas (MMcf)	572	732	2,098	1,795
Natural gas liquids (MBbls)	70	94	268	272
Total (MBoe)	<u>926</u>	<u>828</u>	<u>2,722</u>	<u>2,273</u>
Daily combined volumes (Boe/d)	10,176	9,100	9,969	8,325
Daily oil volumes (Bbls/d)	8,363	6,726	7,707	6,234
Average Realized Prices:				
Oil (\$ per Bbl)	\$ 108.41	\$ 64.55	\$ 92.91	\$ 54.29
Natural gas (\$ per Mcf)	4.98	1.31	3.50	3.12
Natural gas liquids (\$ per Bbl)	34.71	11.57	30.72	9.70
Combined (\$ per Boe)	<u>\$ 94.80</u>	<u>\$ 50.18</u>	<u>\$ 77.55</u>	<u>\$ 44.28</u>
Average Realized Prices, including derivative settlements:⁽¹⁾				
Oil (\$ per Bbl)	\$ 77.31	\$ 51.84	\$ 66.50	\$ 51.16
Natural gas (\$ per MMBtu)	1.29	1.39	1.31	3.22
Natural gas liquids (\$ per Bbl)	34.71	11.57	30.72	9.70
Combined (\$ per Boe)	<u>\$ 66.97</u>	<u>\$ 40.86</u>	<u>\$ 55.44</u>	<u>\$ 42.02</u>

(1) The Company's calculation of the effects of derivative settlements includes losses on the settlement of its commodity derivative contracts. These losses are included under other income and expense on the Company's condensed consolidated statements of operations.

Oil and Natural Gas Revenues

Our revenues are derived from the sale of our oil and natural gas production, including the sale of NGLs that are extracted from our natural gas during processing. Revenues from product sales are a function of the volumes produced, product quality, market prices, and gas Btu content. Our revenues from oil, natural gas and NGL sales do not include the effects of derivatives. Our revenues may vary significantly from period to period as a result of changes in volumes of production sold or changes in commodity prices. The Company's total oil and natural gas revenue, net increased \$46.2 million and \$110.5 million, or 111% and 110%, for the three and nine months ended June 30, 2022 compared to the same periods in 2021. The Company's realized average combined price on its production for the three and nine months ended June 30, 2022 increased by \$44.62 and \$33.27, or 89% and 75%, respectively, compared to the same periods in 2021.

Oil revenues

- For the three months ended June 30, 2022, oil revenues increased by \$43.0 million, or 109%, compared to the same period in 2021. Of the increase, \$33.4 million was attributable to an increase in our realized price and \$9.6 million was attributable to an increase in volume. Volumes increased by 24%, while realized prices increased by 68% compared to the same period in 2021.
- For the nine months ended June 30, 2022, oil revenues increased by \$103.1 million, or 112%, compared to the same period in 2021. Of the increase, \$81.3 million was attributable to an increase in our realized price and \$21.8 million was attributable to an increase in volume. Volumes increased by 24%, while realized prices increased by 71% compared to the same period in 2021.
- Oil volumes increased during the three and nine months ended June 30, 2022 due to production from new wells and workovers performed on existing wells. During the three and nine months ended June 30, 2022, we brought online 5 gross (5.0 net) and 12 gross (10.8 net) horizontal wells, respectively.
- The average WTI price increased by \$42.65 and \$38.12 per Bbl during the three and nine months ended June 30, 2022, respectively, compared to the same periods in 2021.

Natural gas revenues

- For the three months ended June 30, 2022, natural gas revenues increased by \$1.9 million, compared to the same period in 2021, to \$2.9 million from \$1.0 million. Volumes decreased by 22%, while realized prices increased by \$3.67 per Mcf compared to the same period in 2021.
- For the nine months ended June 30, 2022, natural gas revenues increased by \$1.8 million, compared to the same period in 2021, to \$7.3 million from \$5.6 million. Volumes increased by 17%, while realized prices increased by \$0.38 per Mcf compared to the same period in 2021.
- Natural gas sales volumes decreased during the three months ended June 30, 2022 compared to the same period in 2021 due to curtailed volume capacity by our midstream gas gathering and processing counterparty as a result of their capacity expansion project. For the nine months ended June 30, 2022, natural gas sales volumes increased compared to the same period in 2021 due to increased production from new wells and workovers performed on existing wells, partially offset by curtailed volume capacity as seen in during the period.
- The average Henry Hub price increased by \$4.55 and \$2.65 per Mcf during the three and nine months ended June 30, 2022, respectively, compared to the same periods in 2021.

Natural gas liquids revenues

- For the three months ended June 30, 2022, NGL revenues increased by \$1.3 million, compared to the same period in 2021, to \$2.4 million from \$1.1 million. Volumes decreased by 26%, while realized prices increased \$23.14 per Bbl compared to the same period in 2021.
- For the nine months ended June 30, 2022, NGL revenues increased by \$5.6 million, compared to the same period in 2021, to \$8.2 million from \$2.6 million. Volumes remained flat, while realized prices increased \$21.02 per Bbl compared to the same period in 2021.
- NGL sales volumes decreased during the three months ended June 30, 2022 compared to the same period in 2021 due to curtailed volume capacity by our midstream gas gathering and processing counterparty as a result of their capacity expansion project.

Contract Services - Related Party Revenue

The following table presents the Company's revenue and costs associated with its related party transactions:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Contract services - related parties ⁽¹⁾	\$ 600	\$ 600	\$ 1,800	\$ 1,800
Cost of contract services - related parties ⁽²⁾	89	91	324	330
Gross profit - related parties	<u>\$ 511</u>	<u>\$ 509</u>	<u>\$ 1,476</u>	<u>\$ 1,470</u>

(1) The Company's contract services - related parties revenue is derived from master services agreements with related parties to provide certain administrative support services.

(2) The Company's cost of contract services - related parties represents costs specifically attributable to the master service agreements the Company has in place with the respective related parties.

The following table presents the Company's operating costs and expenses and other (income) expenses:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Costs and Expenses:				
Lease operating expenses	\$ 8,062	\$ 5,766	\$ 22,311	\$ 16,289
Production and ad valorem taxes	\$ 5,526	\$ 2,017	\$ 12,033	\$ 6,061
Exploration costs	\$ 22	\$ 2,785	\$ 2,131	\$ 8,682
Depletion, depreciation, amortization and accretion	\$ 7,188	\$ 7,082	\$ 20,688	\$ 19,323
Administrative costs	\$ 4,399	\$ 4,030	\$ 12,046	\$ 9,176
Equity-based compensation	553	779	2,521	6,042
General and administrative expense	\$ 4,952	\$ 4,809	\$ 14,567	\$ 15,218
Transaction costs	\$ —	\$ 321	\$ 3,896	\$ 3,534
Interest expense, net	\$ 697	\$ 1,171	\$ 2,271	\$ 3,571
Loss on derivatives	\$ 12,363	\$ 35,396	\$ 67,188	\$ 74,208
Income tax expense	\$ 10,927	\$ 3,245	\$ 14,682	\$ 16,953

Lease Operating Expenses

Lease operating expenses ("LOE") are the costs incurred in the operation and maintenance of producing properties. Expenses for compression, direct labor, saltwater disposal and materials and supplies comprise the most significant portion of our lease operating expenses. Certain operating cost components, such as direct labor and materials and supplies, generally remain relatively fixed across broad production volume ranges, but can fluctuate depending on activities performed during a specific period. For instance, repairs to our pumping equipment or surface facilities or subsurface maintenance result in increased production expenses in periods during which they are performed. Certain operating cost components, such as compression and saltwater disposal associated with completion water, are variable and increase or decrease as hydrocarbon production levels and the volume of completion water disposal increases or decreases.

The Company's LOE increased by \$2.3 million for the three months ended June 30, 2022 compared to the same period in 2021. For the three months ended June 30, 2022, \$2.1 million of the increase was due to higher workover expense as additional workovers were performed in the 2022 period and \$1.6 million of the increase was attributable to costs associated with new wells and additional production volumes, partially offset by a \$1.4 million decrease attributable to efficiencies on existing wells.

The Company's LOE increased by \$6.0 million for the nine months ended June 30, 2022 compared to the same period in 2021. For the nine months ended June 30, 2022, \$4.7 million of the increase was attributable to costs associated with new wells and additional production volume and \$3.4 million of the increase was due to higher workover expense as additional workovers were performed in the 2022 period, partially offset by a \$2.1 million decrease attributable to efficiencies on existing wells.

Production and Ad Valorem Tax Expense

Production taxes are paid on produced oil, natural gas and NGLs based on a percentage of revenues at fixed rates established by federal, state or local taxing authorities. In general, the production taxes we pay correlate to changes in our oil, natural gas and NGL revenues. We are also subject to ad valorem taxes in the counties where our production is located. Ad valorem taxes are generally based on the valuation of our oil and natural gas properties, which also trend with oil and natural gas prices and vary across the different counties in which we operate.

Production and ad valorem taxes increased by \$3.5 million and \$6.0 million for the three and nine months ended June 30, 2022, respectively, compared to the same periods in 2021. Production taxes increased primarily due to increases in our oil and natural gas sales, net, as discussed above. Ad valorem taxes increased for the three and nine months ended June 30, 2022 based on higher estimated property values for the current taxable period.

Exploration Expense

Exploration expense consists of expiration of unproved leasehold and geological and geophysical costs which include seismic survey costs. The following table presents exploration expense by area for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except acreage data)			
Exploration expense ⁽¹⁾	\$ —	\$ 2,785	\$ 2,053	\$ 8,615
Geological and geophysical costs	22	—	78	67
Total exploration expense	<u>\$ 22</u>	<u>\$ 2,785</u>	<u>\$ 2,131</u>	<u>\$ 8,682</u>
Expired net acres - Texas	—	159	717	1,626
Expired net acres - New Mexico	—	6,867	1,664	14,068
Net acres renewed after expiration ⁽²⁾	9	—	106	486

(1) For the nine months ended June 30, 2022, exploration expense includes \$1.5 million and \$0.6 million related to expiration of unproved leasehold costs in Texas and New Mexico, respectively.

(2) The Company did not renew any net acreage after expiration in New Mexico during the three and nine months ended June 30, 2022 and 2021.

Depletion, Depreciation, Amortization and Accretion Expense

Depletion, depreciation and amortization is the systematic expensing of the capitalized costs incurred to acquire, explore and develop oil, natural gas and NGLs. All costs incurred in the acquisition, exploration and development of properties (excluding costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes and overhead related to exploration activities) are capitalized. Capitalized costs are depleted using the units of production method.

Accretion expense relates to ARO. We record the fair value of the liability for ARO in the period in which the liability is incurred (at the time the wells are drilled or acquired) with the offset to property cost. The liability accretes each period until it is settled or the well is sold, at which time the liability is removed.

Depletion, depreciation, amortization and accretion expense increased by \$0.1 million and \$1.4 million for the three and nine months ended June 30, 2022, respectively, compared to the same periods for 2021. The increase for the three and nine months ended June 30, 2022 was primarily due to higher production, partially offset by a lower depletion rate. The depletion rate is a function of capitalized cost and related underlying reserves. The lower depletion rate was primarily driven by an increase in reserves as a result of the Company's drilling activity and improved commodity prices.

General and Administrative Expense ("G&A")

G&A expenses include corporate overhead such as payroll and benefits for our corporate staff, equity-based compensation expense, office rent for our headquarters, audit and other fees for professional services and legal compliance. G&A expenses are reported net of overhead recoveries from other owners in properties operated by us.

Total G&A expense increased by \$0.1 million and decreased by \$0.7 million for the three and nine months ended June 30, 2022, respectively, compared to the same periods for 2021. Administrative costs, which includes payroll, benefits and non-payroll costs, increased by \$0.4 million and \$2.9 million, respectively, for the three and nine months ended June 30, 2022, compared to the same periods for 2021. The increase in administrative costs was primarily attributable to increased professional services, insurance, technology and investor relations costs. Equity-based compensation expense decreased by \$3.5 million for the nine months ended June 30, 2022, respectively, compared to the same periods in 2021. The higher equity-based compensation during the nine months ended June 30, 2021 relates to restricted shares awarded to certain employees following completion of the Merger that immediately vested.

Transaction Costs

Transaction costs represent costs incurred on successful or unsuccessful business combinations or unsuccessful property acquisitions. During the three and nine months ended June 30, 2021, the transaction costs of \$0.3 million and \$3.5 million, respectively, primarily relates to costs incurred on the Merger with Tengasco in February 2021. The Company did not incur any transaction costs during the three months ended June 30, 2022. The transaction costs of \$3.9 million for the nine months ended June 30, 2022 primarily relate to a potential business combination and related financing that the Company pursued but ultimately chose not to consummate due to changing market conditions.

Interest Expense

Interest expense decreased by \$0.5 million and \$1.3 million during the three and nine months ended June 30, 2022, respectively, when compared to the same periods for 2021. Interest expense decreased due to a lower outstanding average balance on the Company's revolving credit facility as well as the capitalized interest related to the Company's EOR project during the three and nine months ended June 30, 2022, respectively, when compared to the same periods for 2021.

Gain/Loss on Derivatives

The Company recognizes settlements and changes in the fair value of its derivative contracts as a single component within other income (expense) on its condensed consolidated statements of operations. We have oil and natural gas derivative contracts, including fixed price swaps, basis swaps and collars, that settle against various indices. The following table presents the components of the Company's loss on derivatives for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Settlements on derivative contracts	\$ (25,783)	\$ (7,712)	\$ (60,172)	\$ (5,133)
Non-cash gain (loss) on derivatives	13,420	(27,684)	(7,016)	(69,075)
Loss on derivatives	<u>\$ (12,363)</u>	<u>\$ (35,396)</u>	<u>\$ (67,188)</u>	<u>\$ (74,208)</u>

Our earnings are affected by the changes in value of our derivative portfolio between periods and the related cash received or paid upon settlement of our derivatives. To the extent the future commodity price outlook declines between periods, we will have mark-to-market gains; while future commodity price increases between measurement periods result in mark-to-market losses.

The decrease in the loss on derivatives for the three and nine months ended June 30, 2022 compared to the same periods in 2021 is due to the change in non-cash gain (loss) on derivatives of \$41.1 million and \$62.1 million, partially offset by the increase in the loss on settlements of \$18.1 million and \$55.0 million. The change in non-cash gain (loss) on derivatives for the three and nine months ended June 30, 2022 is due to the decrease in total contract volumes for our open derivative contracts with volumes on our fixed price oil swaps decreasing by 55% as of June 30, 2022 when compared to the same period in 2021. Additionally, the change in the non-cash gain (loss) on derivatives was impacted by the change in the estimated forward-looking oil and natural gas prices used at the end of the period to calculate the fair value of the open derivative contracts. The increase in the loss on settlements on derivatives was due to the increase in oil and natural gas prices for the three and nine months ended June 30, 2022 compared to the same periods in 2021. For example, the average WTI price was \$108.83 per Bbl for the three months ended June 30, 2022 compared to \$66.19 per Bbl for the same period in 2021.

Income Tax Expense

The Company became a taxable entity as a result of its Merger with Tengasco on February 26, 2021. See further discussion in Note 4 - Acquisitions to the Company's condensed consolidated financial statements included herein. While REP LLC was organized as a limited liability company, taxable income passed through to its unit holders. Accordingly, a provision for federal and state corporate income taxes has been made for the operations of the Company only from February 27, 2021 through June 30, 2022 in the accompanying condensed consolidated financial statements. Deferred income taxes are provided to reflect the future tax consequences or benefits of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates. Upon consummation of the Merger in February 2021, the Company established a \$13.6 million provision for deferred income taxes with the conversion to a C-corporation. The majority of this deferred tax liability was established by a change in tax status which primarily was attributable to the oil and natural gas properties. See Note 11 - Income Taxes to the Company's condensed consolidated financial statements included herein for further discussion of income taxes.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Current income tax expense (benefit)	\$ 715	\$ (1,009)	\$ 1,608	\$ (232)
Deferred income tax expense	10,212	4,254	13,074	17,185
Total income tax expense	<u>\$ 10,927</u>	<u>\$ 3,245</u>	<u>\$ 14,682</u>	<u>\$ 16,953</u>
Effective income tax rate	22.0 %	(18.8)%	21.8 %	(38.0)%

Liquidity and Capital Resources

The business of exploring for, developing and producing oil and natural gas is capital intensive. Because oil, natural gas and NGL reserves are a depleting resource, like all upstream operators, we must make capital investments to grow and even sustain production. The Company's principal liquidity requirements are to finance its operations, fund capital expenditures and acquisitions, make cash distributions and satisfy any indebtedness obligations. Cash flows are subject to a number of variables, including the level of oil and natural gas production and prices, and the significant capital expenditures required to more fully develop the Company's oil and natural gas properties. Historically, our primary sources of capital funding and liquidity have been our cash on hand, cash flow from operations and borrowings under our revolving credit facility. At times and as needed, we may also issue debt or equity securities, including through transactions under our shelf registration statement filed with the SEC. We estimate the combination of the sources of capital discussed above will continue to be adequate to meet our short and long-term liquidity needs.

Cash on hand and operating cash flow can be subject to fluctuations due to trends and uncertainties that are beyond our control. Likewise, our ability to issue equity and obtain credit facilities on favorable terms may be impacted by a variety of market factors as well as fluctuations in our results of operations. During the fiscal third quarter of 2022, the Company's natural gas and NGL sales were negatively impacted due to its primary midstream gas gathering and processing counterparty curtailing volume capacity as work continued on their overall capacity expansion project. With the expansion project being fully commissioned in July, the Company expects to benefit from an increase in production capacity. The Company is not currently aware of additional scheduled curtailments; however, the Company may continue to experience periodic curtailments on natural

gas produced in excess of our contractual processing capacity. For further discussion of risks related to our liquidity and capital resources, see "Item 1A. Risk Factors."

Working Capital

Working capital is the difference in our current assets and our current liabilities. Working capital is an indication of liquidity and potential need for short-term funding. The change in our working capital requirements is driven generally by changes in accounts receivable, accounts payable, commodity prices, credit extended to, and the timing of collections from customers, the level and timing of spending for expansion activity, and the timing of debt maturities. As of June 30, 2022, we had a working capital deficit of \$55.6 million compared to a deficit of \$46.9 million as of September 30, 2021. The working capital deficit at June 30, 2022 reflects \$50.3 million in current derivative liabilities compared to \$42.1 million in current derivative liabilities at September 30, 2021. Additionally, we had \$8.8 million payable to our counterparties for June 2022 derivative contract settlements, which is included in accounts payable at June 30, 2022. We utilize our revolving credit facility and cash on hand to manage the timing of cash flows and fund short-term working capital deficits. Our current derivative assets and liabilities represent the mark-to-market value as of June 30, 2022 of future commodity production which will settle on a monthly basis through the end of their contractual terms. This aligns with the receipt of oil and natural gas revenues on a monthly basis.

Cash Flows

The following table summarizes the Company's cash flows from continuing operations:

	Nine Months Ended June 30,	
	2022	2021
	(In thousands)	
Statement of Cash Flows Data from Continuing Operations:		
Net cash provided by operating activities	\$ 96,987	\$ 58,841
Net cash used in investing activities	\$ (77,195)	\$ (39,366)
Net cash used in financing activities	\$ (20,059)	\$ (18,151)

Operating Activities

The Company's net cash provided by operating activities increased by \$38.1 million or 65% to \$97.0 million for the nine months ended June 30, 2022 from \$58.8 million for the same period in 2021. The increase was primarily driven by an increase in revenues of \$110.5 million, partially offset by an increase of \$55.0 million on settlements for commodity derivative contracts and an increase in operating expenses of \$15.2 million, which excludes non-cash expenses such as equity-based compensation, expiration of unproved leasehold costs, and depreciation, depletion, accretion, and amortization expense.

Investing Activities

The Company's cash flows used in investing activities increased by \$37.8 million or 96% to \$77.2 million for the nine months ended June 30, 2022 from \$39.4 million for the same period in 2021. The increase was primarily due to higher capital spending of \$37.2 million related to the Company's increased drilling and completion activity and EOR project during the nine months ended June 30, 2022 compared to the same period in 2021.

Financing Activities

Net cash flow used in financing activities increased by \$1.9 million or 11% to \$20.1 million for the nine months ended June 30, 2022 from \$18.2 million for the same period in 2021. During the nine months ended June 30, 2022, the Company utilized \$1.0 million net proceeds from its revolving credit facility to fund capital expenditures and working capital. For the same period in 2021, the Company had a net paydown on its revolving credit facility of \$3.5 million based on decreased drilling and completion activity during this period. In addition, the Company distributed an additional \$5.4 million of dividends on common stock during the nine months ended June 30, 2022 compared to the same period in 2021.

Revolving Credit Facility

The Company's borrowing base was \$200 million with outstanding borrowings of \$61 million on June 30, 2022, representing available borrowing capacity of \$139 million. See further discussion in Note 9 - Revolving Credit Facility to the Company's condensed consolidated financial statements included herein.

On April 29, 2022, the Company amended its Credit Agreement to, among other things, increase the borrowing base from \$175 million to \$200 million, extend the maturing date to April 2026, replace LIBOR with the SOFR and change the requirements for hedging to be based on utilization of the borrowing base and the Company's leverage ratio.

Distributions

For the three months ended June 30, 2022, the Company authorized and declared a quarterly dividend totaling approximately \$6.2 million, with \$6.1 million paid in cash and \$0.1 million payable to restricted shareholders upon vesting.

Contractual Obligations

The Company has commitments with its primary midstream counterparty and has entered into purchase commitments throughout the nine months ended June 30, 2022. See Note 14 - Commitments and Contingencies in our notes to the condensed consolidated financial statements.

Critical Accounting Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's unaudited condensed consolidated financial statements and accompanying notes included herein, which have been prepared in accordance with U.S. GAAP. The preparation of financial statements requires the Company to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. These estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates and assumptions used in preparation of the Company's unaudited condensed consolidated financial statements and it is at least reasonably possible these estimates could be revised in the near term and these revisions could be material.

Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. The Company evaluates its estimates and assumptions on a regular basis. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of assumptions, judgments and estimates include (i) oil and natural gas reserves; (ii) cash flow estimates used in impairment testing of oil and natural gas properties; (iii) depreciation, depletion, amortization and accretion, or DD&A; (iv) ARO; (v) assigning fair value and allocating purchase price in connection with business combinations; (vi) valuation of commodity derivative instruments; (vii) income tax provisions; (viii) carrying value of goodwill; and (ix) accrued amounts. Actual results may differ from these estimates and assumptions used in preparation of the Company's unaudited condensed consolidated financial statements included herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management establishes and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. We have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, with the participation of our CEO and CFO, as well as other key members of our management. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting that occurred for the quarter ending June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various legal proceedings and claims in the ordinary course of business. As of June 30, 2022, and through the filing date of this Quarterly Report, we do not believe the ultimate resolution of any such actions or potential actions of which we are currently aware will have a material effect on our consolidated financial position or results of operations.

Refer to Part I, Item 3 - Legal Proceedings of Riley Permian's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, and Note 14 - Commitments and Contingencies in the notes to the unaudited condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q (which is hereby incorporated by reference herein), for a description of material legal proceedings.

Item 1A. Risk Factors

We are subject to certain risks and hazards due to the nature of the business activities we conduct. We may experience additional risks and uncertainties not currently known to us. Furthermore, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect us. Any such risk may materially and adversely affect our business, financial condition, cash flows and results of operations. Other than any risks described in this Quarterly Report, there have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended September 30, 2021.

Risks Related to our Business

A Terrorist attack or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Recent regulatory restrictions on use of produced water and a moratorium on new produced water disposal wells in the Permian Basin to stem rising seismic activity and earthquakes could increase our operating costs and adversely impact our business, results of operations and financial condition.

In September 2021, the Texas Railroad Commission curtailed the amount of produced water companies were permitted to inject into some wells near Midland and Odessa in the Permian Basin, and has since indefinitely suspended some permits there and expanded the restrictions to other areas. These actions were taken in an effort to control induced seismic activity and recent increases in earthquakes in the Permian Basin, which have been linked by the U.S. and local seismologists to wastewater disposal in oil fields. These restrictions on the disposal of produced water and a moratorium on new produced water disposal wells could result in increased operating costs, requiring us or our service providers to truck produced water, recycle it or dispose of it by other means, all of which could be costly. We or our service providers may also need to limit disposal well volumes, disposal rates and pressures or locations, or require us or our service providers to shut down or curtail the injection of produced water into disposal wells. These factors may make drilling activity in the affected parts of the Permian Basin less economical and adversely impact our business, results of operations and financial condition.

Designation as "critical infrastructure" could subject us to additional regulation, including potential weatherization requirements.

In response to Winter Storm Uri, the February 2021 winter weather event that caused widespread power failure to Texas' power grid for several days, the Texas legislature drafted new legislation designed to prepare for, prevent and respond to weather emergencies and power outages. On November 30, 2021, the RRC adopted rules to designate certain natural gas facilities as critical infrastructure. While the Commission did not adopt rules related to other sections of the legislation requiring such designees to implement weatherization measures, it is expected that the Commission will initiate a rulemaking at a later date for such purposes.

Under the new rules, “critical gas suppliers” include, but are not limited to, gas wells, oil leases that produce gas, natural gas pipeline facilities, underground natural gas storage facilities and saltwater disposal facilities. “Critical customers,” which are a subset of critical gas suppliers, are facilities that require electricity to operate. The rules allow for certain facilities to apply for an exception to critical designation, but exclude certain types of highly critical facilities from eligibility for such exception.

If we are designated as a “critical gas supplier” or “critical customer,” we would become subject to additional regulation and compliance costs, including potential future operating and capital costs required to weatherize our assets.

Enhanced scrutiny on ESG matters could have an adverse effect on the Company’s operations.

Enhanced scrutiny on ESG matters related to, among other things, concerns raised by advocacy groups about climate change, hydraulic fracturing, natural gas flaring, GHG emissions, waste disposal, oil spills, and explosions of natural gas transmission pipelines may lead to increased regulatory scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines, and enforcement interpretations. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens, increased risk of litigation, and adverse impacts on the Company’s access to capital. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance, and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits the Company requires to conduct its operations to be withheld, delayed, or burdened by requirements that restrict the Company’s ability to profitably conduct its business.

We may be unable to quickly adapt to changes in market/investor priorities.

Historically, one of the key drivers in the unconventional resource industry has been growth in production and reserves. With historical volatility in oil and natural gas prices and the likelihood that rising interest rates will increase the cost of borrowing, capital efficiency and free cash flow from earnings have become the key drivers for energy companies, particularly shale producers. Such shifts in focus sometimes require changes in planning and resource management, which may not occur instantaneously. Any delay in responding to such changes in market sentiment or perception may result in the investment community having a negative sentiment regarding our business plan, potential profitability and our ability to operate in a manner deemed “efficient,” which may have a negative impact on the price of our common stock.

The adoption of climate change legislation or regulations restricting emissions of “greenhouse gases” could result in increased operating costs and reduced demand for the oil, NGL and natural gas we produce, while potential physical effects of climate change could disrupt our operations and cause us to incur significant costs in preparing for or responding to those effects.

Restrictions on GHG emissions that may be imposed could adversely affect the oil and gas industry. The adoption of legislation or regulatory programs to reduce GHG emissions could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, acquire emissions allowances or comply with new regulatory requirements. Any GHG emissions legislation or regulatory programs applicable to power plants or refineries could also increase the cost of consuming, and thereby reduce demand for, the oil, NGL and natural gas we produce. Consequently, legislation and regulatory programs to reduce GHG emissions could have an adverse effect on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

Our common stock repurchase activity for the nine months ended June 30, 2022 was as follows:

Fiscal Quarter Ending	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs
Q1	9,740	\$ 23.48	—	—
Q2	12,640	\$ 26.81	—	—
Q3	8,576	\$ 25.08	—	—

(1) These amounts reflect the shares received by us from employees for the payment of personal income tax withholding on vesting transactions. The acquisition of the surrendered shares was not part of a publicly announced program to repurchase shares of our Common Stock. Any shares repurchased by the Company for personal tax withholdings are immediately retired upon repurchase.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, by and among Tensasco, Inc., Antman Sub, LLC, and Riley Exploration - Permian, LLC, dated as of October 21, 2020 (incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 22, 2020).
2.2	Amendment No. 1 to Agreement and Plan of Merger, by and among Tensasco, Inc., Antman Sub, LLC, and Riley Exploration - Permian, LLC, dated as of January 20, 2021 (incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on January 22, 2021).
3.1	First Amended and Restated Certificate of Incorporation of Riley Exploration Permian, Inc. (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 1, 2021, Registration No. 333-253750).
3.2	Second Amended and Restated Bylaws of Riley Exploration Permian, Inc. (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 1, 2021, Registration No. 333-253750).

10.1	Credit Agreement dated as of September 28, 2017, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.2	First Amendment to Credit Agreement dated as of February 27, 2018, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.2 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.3	Second Amendment to Credit Agreement dated as of November 9, 2018, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.3 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.4	Third Amendment to Credit Agreement dated as of April 3, 2019, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.4 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.5	Fourth Amendment to Credit Agreement dated as of October 15, 2019, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.5 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.6	Fifth Amendment to Credit Agreement dated as of May 7, 2020, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.6 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.7	Sixth Amendment to Credit Agreement dated as of August 31, 2020, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.7 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.8	Seventh Amendment and Consent to Credit Agreement dated as of October 21, 2020, by and among Riley Exploration – Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.8 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.9	Eighth Amendment to Credit Agreement dated as of March 5, 2021, by and among Riley Exploration Permian, Inc., Riley Exploration - Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.9 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on May 17, 2021).
10.10	Ninth Amendment to Credit Agreement dated as of May 5, 2021, by and among Riley Exploration Permian, Inc., Riley Exploration - Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.10 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on May 17, 2021).
10.11	Tenth Amendment to the Credit Agreement dated as of October 12, 2021, by and among Riley Exploration Permian, Inc., Riley Exploration - Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 14, 2021).
10.12	Form of Indemnity Agreement (incorporated by reference from Exhibit 10.14 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on January 21, 2021, Registration No. 333-250019).
10.13	Form of Independent Director Agreement (incorporated by reference from Exhibit 10.13 to the Registrant’s Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on January 21, 2021, Registration No. 333-250019).

10.14†	Riley Exploration Permian, Inc. 2021 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 25, 2021).
10.15†	Form of Common Stock Award Agreement (incorporated by reference from Exhibit 10.10 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 15, 2021).
10.16†	Form of Restricted Stock Agreement (Time Vesting) (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, as filed with the Securities and Exchange Commission on March 1, 2021, Registration No. 333-253750).
10.17†	Form of Substitute Restricted Stock Agreement (Time Vesting) (incorporated by reference from Exhibit 4.5 to the Registrant's Registration Statement on Form S-8 filed with the Commission on March 1, 2021, Registration No. 333-253750).
10.18†	Form of Restricted Stock Agreement (Non-Employee Director) (incorporated by reference from Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 filed with the Commission on March 1, 2021, Registration No. 333-253750).
10.19†	Employment Agreement dated effective as of March 15, 2021 by and between Riley Exploration Permian, Inc. and Corey Riley (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 15, 2021).
10.20†	Employment Agreement dated effective as of March 15, 2021 by and between Riley Exploration Permian, Inc. and Philip Riley (incorporated by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 15, 2021).
10.21†	Employment Agreement dated April 1, 2019 by and between Riley Exploration – Permian, LLC and Bobby D. Riley and assigned by Riley Exploration – Permian, LLC to Riley Permian Operating Company, LLC on June 8, 2019 (incorporated by reference from Exhibit 10.9 to the Registrant's Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.22†	Amendment No. 1 to Employment Agreement dated October 1, 2020 by and between Riley Permian Operating Company, LLC and Bobby D. Riley (incorporated by reference from Exhibit 10.10 to the Registrant's Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.23†	Amendment No. 2 to Employment Agreement dated March 15, 2021 by and between Riley Permian Operating Company, LLC and Bobby D. Riley (incorporated by reference from Exhibit 10.7 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 15, 2021).
10.24†	Employment Agreement dated April 1, 2019 by and between Riley Exploration – Permian, LLC and Kevin Riley and assigned by Riley Exploration – Permian, LLC to Riley Permian Operating Company, LLC on June 8, 2019 (incorporated by reference from Exhibit 10.11 to the Registrant's Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.25†	Amendment No. 1 to Employment Agreement dated March 15, 2021 by and between Riley Permian Operating Company, LLC and Kevin Riley (incorporated by reference from Exhibit 10.8 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 15, 2021).
10.26	Second Amended and Restated Registration Rights Agreement dated October 7, 2020 by and among Riley Exploration – Permian, LLC, Riley Exploration Group, Inc., Yorktown Energy Partners XI, L.P., Boomer Petroleum, LLC, Bluescape Riley Exploration Holdings LLC, Bluescape Riley Acquisition Company LLC, Bobby D. Riley, Kevin Riley and Corey Riley (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-4/A, as filed with the Securities and Exchange Commission on December 31, 2020, Registration No. 333-250019).
10.27†	Employment Agreement dated effective as of January 25, 2022 by and between Riley Exploration Permian, Inc. and Amber Bonney (incorporated by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on January 27, 2022).
10.28	Eleventh Amendment to the Credit Agreement dated as of April 29, 2022, by and among Riley Exploration Permian, Inc., Riley Exploration - Permian, LLC, as borrower, Truist Bank, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 2, 2022).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C., Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C., Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Definition Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith.

† Compensatory plan or arrangement.

SIGNATURES

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

RILEY EXPLORATION PERMIAN, INC.

Date: August 10, 2022

By: /s/ Bobby D. Riley
Bobby D. Riley
Chief Executive Officer

By: /s/ Philip Riley
Philip Riley
Chief Financial Officer

CERTIFICATION

I, Bobby D. Riley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Riley Exploration Permian, Inc. for the quarter ended June 30, 2022.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 10, 2022

By: /s/ Bobby D. Riley
Bobby D. Riley
Chief Executive Officer

CERTIFICATION

I, Philip Riley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Riley Exploration Permian, Inc. for the quarter ended June 30, 2022.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 10, 2022

By: /s/ Philip Riley

Philip Riley

Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the Quarterly Report on Form 10-Q of Riley Exploration Permian, Inc. (the “Company”) for the quarter ended June 30, 2022 (the “Report”).

To the best of my knowledge the Report (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m (a) or 78o (d)); and, (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2022

By: /s/ Bobby D. Riley

Bobby D. Riley
Chief Executive Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the Quarterly Report on Form 10-Q of Riley Exploration Permian, Inc. (the “Company”) for the quarter ended June 30, 2022 (the “Report”).

To the best of my knowledge the Report (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m (a) or 78o (d)); and, (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 10, 2022

By: /s/ Philip Riley

Philip Riley

Chief Financial Officer