

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

FORM 8-K

**CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 5, 2022

LAREDO PETROLEUM, INC.

(Exact name of registrant as specified in charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-35380 (Commission File Number)	45-3007926 (I.R.S. Employer Identification No.)
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15 W. Sixth Street Tulsa (Address of principal executive offices)	Suite 900 Oklahoma	74119 (Zip code)
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Registrant's telephone number, including area code: **(918) 513-4570**

Not Applicable

(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$0.01 par value	LPI	New York Stock Exchange

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging Growth Company

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

Item 7.01. Regulation FD Disclosure.

On January 5, 2022, Laredo Petroleum, Inc. (the "Company") issued a press release announcing plans to host a teleconference and webcast on Wednesday, February 23, 2022 at 7:30 am Central Time to discuss its financial and operating results for the quarter and year ended December 31, 2021. A copy of the Company's press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference. To access the call, please dial 877.930.8286 or 253.336.8309 for international callers, and use conference code 3342479. A telephonic replay will be available approximately two hours after the call by dialing 855.859.2056, and using conference code 3342479. The webcast may be accessed at the Company's website, www.laredopetro.com, under the tab "Investor Relations."

On January 5, 2022, the Company also posted to its website an investor presentation (the "Presentation"). The Presentation is available on the Company's website, www.laredopetro.com, and is attached hereto as Exhibit 99.2 and incorporated into this Item 7.01 by reference.

All statements in the Presentation, other than historical financial information, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"). Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results or developments may differ materially from those in the forward-looking statements. See the Company's Annual Report on Form 10-K for the year ended December 31, 2020, its Current Report on Form 8-K, filed on May 11, 2021, and the Company's other filings with the U.S. Securities and Exchange Commission for a discussion of other risks and uncertainties. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In accordance with General Instruction B.2 of Form 8-K, the information furnished under this Item 7.01 of this Current Report on Form 8-K and the exhibits attached hereto are deemed to be "furnished" and shall not be deemed "filed" for the purpose of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated January 5, 2022.
99.2	Investor Presentation dated January 5, 2022.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

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.

LAREDO PETROLEUM, INC.

Date: January 5, 2022

By: /s/ Bryan J. Lemmerman
Bryan J. Lemmerman
Senior Vice President and Chief Financial Officer



15 West 6th Street, Suite 900 - Tulsa, Oklahoma 74119 - (918) 513-4570 - Fax: (918) 513-4571
www.laredopetro.com

Laredo Petroleum Schedules Fourth-Quarter 2021 Earnings Release and Conference Call

TULSA, OK - January 5, 2022 - Laredo Petroleum, Inc. (NYSE: LPI) ("Laredo" or the "Company") will report fourth-quarter 2021 financial and operating results after the market close on Tuesday, February 22, 2022, and will host a conference call on Wednesday, February 23, 2022, at 7:30 a.m. CT to discuss the results.

To participate on the call, dial 877.930.8286 (international dial-in 253.336.8309), using conference code 3342479 or listen to the call via the Company's website at www.laredopetro.com, under the tab for "Investor Relations." A telephonic replay will be available approximately two hours after the call by dialing 855.859.2056, using conference code 3342479.

About Laredo

Laredo Petroleum, Inc. is an independent energy company with headquarters in Tulsa, Oklahoma. Laredo's business strategy is focused on the acquisition, exploration and development of oil and natural gas properties, primarily in the Permian Basin of West Texas.

Additional information about Laredo may be found on its website at www.laredopetro.com.

Investor Contact:

Ron Hagood
918.858.5504
rhagood@laredopetro.com



**January 2022
Investor Presentation**



Forward-Looking / Cautionary Statements

This presentation, including any oral statements made regarding the contents of this presentation, contains forward-looking statements as defined under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities that Laredo Petroleum, Inc. (together with its subsidiaries, the "Company", "Laredo" or "LPI") assumes, plans, expects, believes, intends, projects, indicates, enables, transforms, estimates or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

General risks relating to Laredo include, but are not limited to, the decline in prices of oil, natural gas liquids and natural gas and the related impact to financial statements as a result of asset impairments and revisions to reserve estimates, the ability of the Company to execute its strategies, including its ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to its financial results and to successfully integrate acquired businesses, assets and properties, oil production quotas or other actions that might be imposed by the Organization of Petroleum Exporting Countries and other producing countries ("OPEC"), the outbreak of disease, such as the coronavirus ("COVID-19") pandemic, and any related government policies and actions, changes in domestic and global production, supply and demand for commodities, including as a result of the COVID-19 pandemic and actions by OPEC+, long-term performance of wells, drilling and operating risks, the increase in service and supply costs, tariffs on steel, pipeline transportation and storage constraints in the Permian Basin, the possibility of production curtailment, hedging activities, the impacts of severe weather, including the freezing of wells and pipelines in the Permian Basin due to cold weather, possible impacts of litigation and regulations, the impact of the Company's transactions, if any, with its securities from time to time, the impact of new laws and regulations, including those regarding the use of hydraulic fracturing, the impact of new environmental, health and safety requirements applicable to the Company's business activities, the possibility of the elimination of federal income tax deductions for oil and gas exploration and development and other factors, including those and other risks described in its Annual Report on Form 10-K for the year ended December 31, 2020, Current Report on Form 8-K, filed with the Securities and Exchange Commission ("SEC") on May 11, 2021, and those set forth from time to time in other filings with the SEC. These documents are available through Laredo's website at www.laredoenergy.com under the tab "Investor Relations" or through the SEC's Electronic Data Gathering and Analysis Retrieval System at www.sec.gov. Any of these factors could cause Laredo's actual results and plans to differ materially from those in the forward-looking statements. Therefore, Laredo can give no assurance that its future results will be as estimated. Any forward-looking statement speaks only as of the date on which such statement is made. Laredo does not intend to, and disclaims any obligation to, correct, update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

The SEC generally permits oil and natural gas companies, in filings made with the SEC, to disclose proved reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, and certain probable and possible reserves that meet the SEC's definitions for such terms. In this presentation, the Company may use the terms "resource potential," "resource play," "estimated ultimate recovery," or "EURs," "type curve" and "standardized measure," each of which the SEC guidelines restrict from being included in filings with the SEC without strict compliance with SEC definitions. These terms refer to the Company's internal estimates of unbooked hydrocarbon quantities that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. "Resource potential" is used by the Company to refer to the estimated quantities of hydrocarbons that may be added to proved reserves, largely from a specified resource play potentially supporting numerous drilling locations. A "resource play" is a term used by the Company to describe an accumulation of hydrocarbons known to exist over a large areal expanse and/or thick vertical section potentially supporting numerous drilling locations, which, when compared to a conventional play, typically has a lower geological and/or commercial development risk. "EURs" are based on the Company's previous operating experience in a given area and publicly available information relating to the operations of producers who are conducting operations in these areas. Unbooked resource potential and "EURs" do not constitute reserves within the meaning of the Society of Petroleum Engineers' Petroleum Resource Management System or SEC rules and do not include any proved reserves. Actual quantities of reserves that may be ultimately recovered from the Company's interests may differ substantially from those presented herein. Factors affecting ultimate recovery include the scope of the Company's ongoing drilling program, which will be directly affected by the availability of capital, decreases in oil, natural gas liquids and natural gas prices, well spacing, drilling and production costs, availability and cost of drilling services and equipment, lease expirations, transportation constraints, regulatory approvals, negative revisions to reserve estimates and other factors, as well as actual drilling results, including geological and mechanical factors affecting recovery rates. "EURs" from reserves may change significantly as development of the Company's core assets provides additional data. In addition, the Company's production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases. "Type curve" refers to a production profile of a well, or a particular category of wells, for a specific play and/or area. The "standardized measure" of discounted future net cash flows is calculated in accordance with SEC regulations and a discount rate of 10%. Actual results may vary considerably and should not be considered to represent the fair market value of the Company's proved reserves.

This presentation includes financial measures that are not in accordance with generally accepted accounting principles ("GAAP"), such as Adjusted EBITDA, Cash Flow and Free Cash Flow. While management believes that such measures are useful for investors, they should not be used as a replacement for financial measures that are in accordance with GAAP. For definitions of such non-GAAP financial measures, please see the Appendix. Unless otherwise specified, references to "average sales price" refer to average sales price excluding the effects of the Company's derivative transactions. All amounts, dollars and percentages presented in this presentation are rounded and therefore approximate.

Laredo Petroleum: Pure-Play Permian Energy Producer

Laredo Petroleum (NYSE: LPI)	
Market Capitalization (Shares Outstanding) ¹	\$1.29 Billion (17.1 Million Shares)
Enterprise Value ¹	\$2.70 Billion
Net Acres	~166,000
2021E Production ²	~80.8 MBOE/d
2021E Oil Production ²	~31.6 MBO/d

Principles

Expand High-Margin Inventory

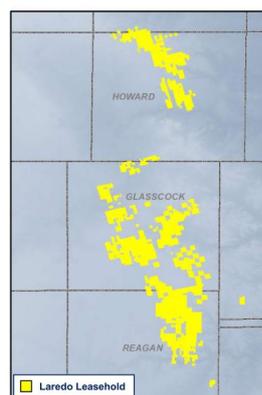
- Opportunistically acquire oil-weighted inventory
- High-grade development to maximize capital efficiency and increase oil cut

Manage Risk

- Target Free Cash Flow³ generation and debt reduction
- Manage balance sheet and liquidity to facilitate optimal transaction financing
- Maintain a consistent commodity hedging program

Continuously Improve

- Focus on efficiencies and low-cost operations
- Reduce GHG emissions intensity and flaring



¹As of market close 1/4/2022; ²Utilizes mid-point of FY-21 guidance; ³See Appendix for definitions of non-GAAP financial measures

Delivered on Value Creation Strategy in 2021



Expand High-Margin Inventory

- Increased oil-weighted drilling inventory to ~7 years through two significant transactions
- Divested 37.5% of legacy gas-weighted reserves



Manage Risks

- Company on track to reduce leverage to 1.5x¹ by YE-22
- Increased liquidity by issuing \$400mm of notes due in 2029
- Extended maturity of credit facility to 2025



Continuously Improve

- Reduced development costs through drilling and completions efficiencies and Company-owned sand mine
- Enhanced ESG disclosure and committed to an aggressive GHG emissions reduction plan
- Further reduced flaring and began RSG certification process

Rapid Execution of Transformational Strategy



Expand High-Margin Inventory

- Added ~55,000 net acres of oil-weighted leasehold in six separate transactions
- Divested ~94 million BOE of legacy low-margin, gas-weighted reserves
- Development focused on recently acquired oil-weighted inventory
- Oil cut expected to rise from 31% in 1Q-21 to ~50% by YE-22

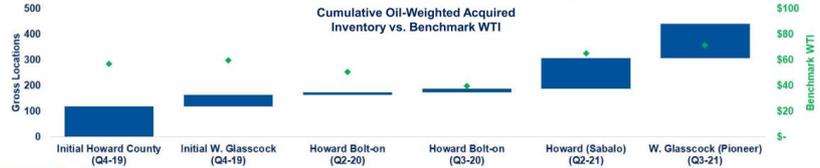
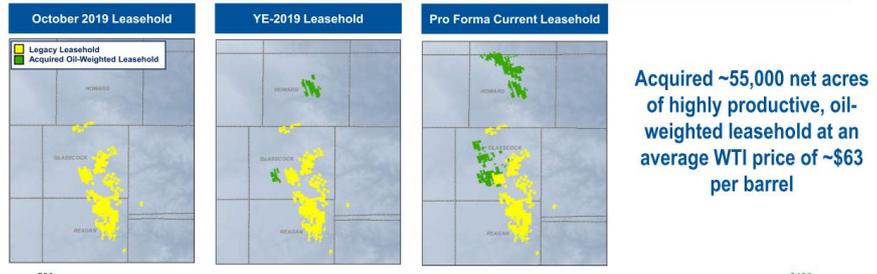
Manage Risk

- No term-debt maturities until 2025
- Extended credit facility maturity to 2025
- Credit facility borrowing base increased to \$1 billion
- Active hedge program in 2022 to protect forecasted Free Cash Flow¹
- Expect to reduce total leverage ratio to ~1.5x¹ by YE-22

Continuously Improve

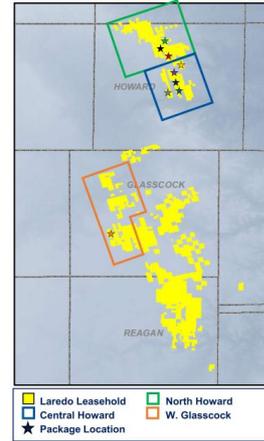
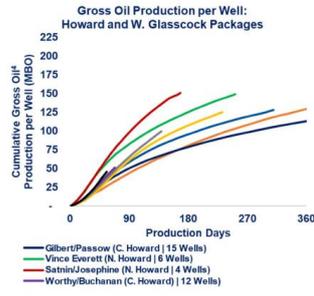
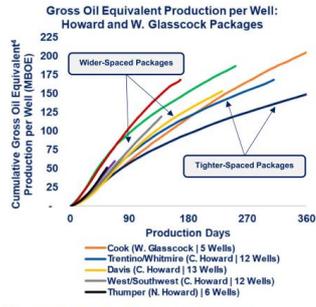
- Reduced percentage of produced natural gas flared/vented to 0.37% through 3Q-21, excluding recently integrated North Howard assets, from 0.71% for FY-20
- Reduced drilling costs by 14% in 2021 versus FY-20 average
- Company-owned sand mine protects against sand cost inflation, saving an estimated \$250,000 per well
- Commitment to eliminate routine flaring by 2025

Oil-Weighted Leasehold Built at Lower Oil Prices



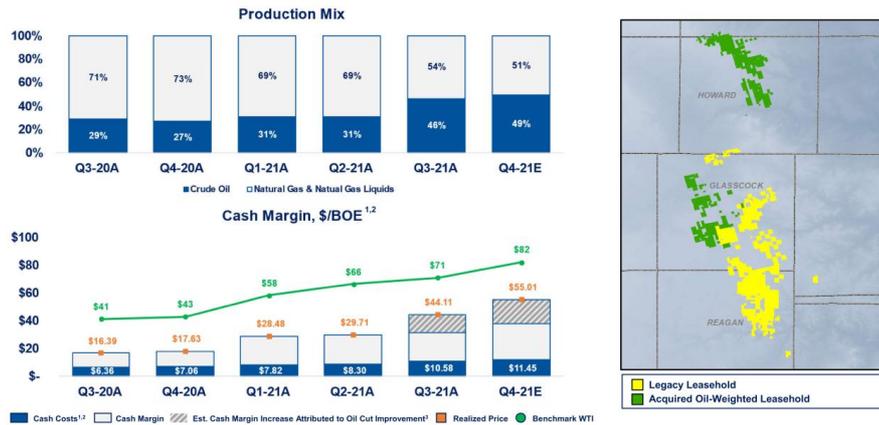
Development Activity Focused on Acquired Acreage

	W. Glasscock County	Howard County	Total
Net acres ¹	~22,200	~33,400	~55,600
Target formations	LS/WC-A/WC-B	LS/WC-A	*
Locations (gross) ²	~175	~225	~400
Avg. breakeven oil price ³	<\$40	<\$35	*

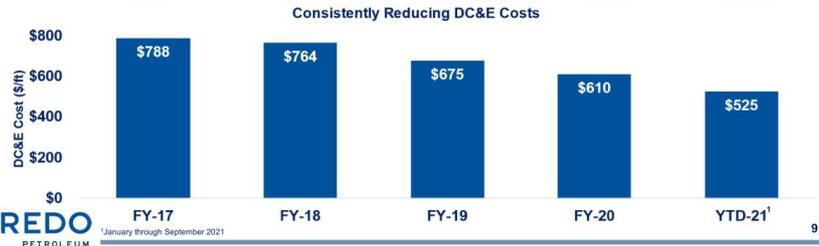
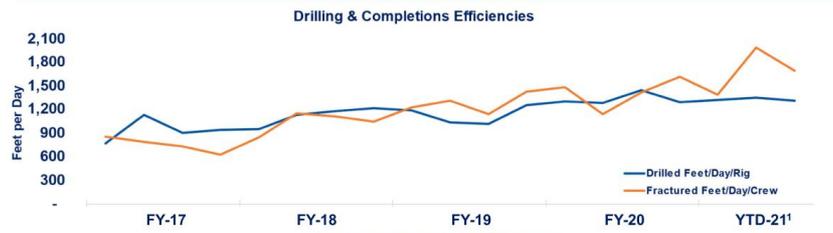


¹Map and acreage as of 10-18-21
²Gross operated locations as of January 2021 (adjusted for 2020 completions), pro forma for all announced acquisitions.
³Flat oil price needed to achieve 10% IRR assuming a \$3.00 natural gas price; *Production data normalized to 10,000' lateral length, downtime days excluded

Increased Oil Cut and Margin Improvement Drives Free Cash Flow Generation



Maintaining Operational & Cost Advantages



Laredo-Owned Sand Mine Saves on Completions Costs



- >\$250,000¹ savings per well versus market price**
- Utilized in all 3Q-21 completions, 100% of all sand used
 - Mine operated by a third party
 - No additional capital investment beyond surface acreage acquisition
 - Elimination of 300,000 miles per month of truck traffic and utilization of wet sand reduces emissions



Operated on Laredo-owned surface acreage



5+ years supply of sand



Protects against sand cost inflation



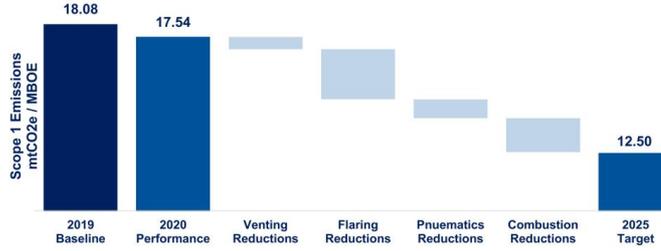
Reduces emissions

Systematic Plan to Achieve Emissions Reductions

Targets for 2025



Defined Scope 1 Emissions Reduction Plan



Venting Reductions

- Continuous Monitoring
- Expanded LDAR Program

Flaring Reductions

- Gas takeaway optionality
- Enhanced facility designs

Pneumatics Reductions

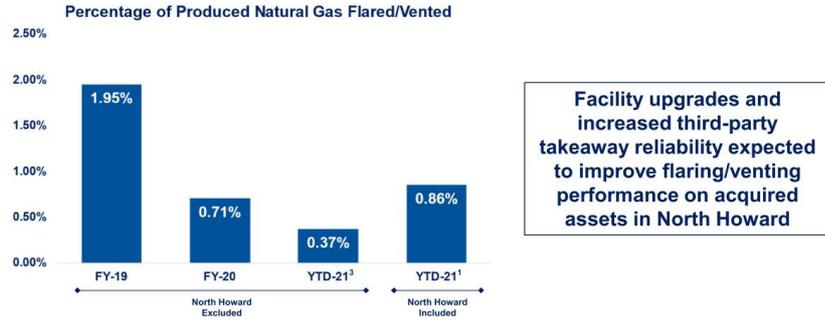
- Convert to non-vent devices

Combustion Reductions

- Electrify compression and other field operations

Commitment to Reducing Flaring

For the second consecutive year, flaring/venting reduction targets are part of executive compensation metrics



Corporate and Community Responsibility

Diversity¹

Women in workforce



Minorities in workforce



Women and/or minorities in professional-or-higher roles



EEO-1 data disclosed in Company's 2021 ESG & Climate Risk Report

Safety

TRIR²



Laredo had zero at-fault vehicle incidents in 2020

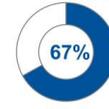
Giving



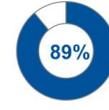
>\$610,000

Total amount donated since 2019 to improve our local communities

Governance



Board refresh in last 2 years



Independent Directors



Female & Minority Directors

Separated roles of Chairman and CEO October 2019

Actively Managing our Balance Sheet & Liquidity

- No term-debt maturities until 2025
- Executed "At-the-Market" equity program YTD 2021 resulting in ~\$73 million of net proceeds
- Extended credit facility maturity until 2025
- Active hedge program to protect Free Cash Flow¹ with ~72% of expected 2022 oil production hedged
- Program expected to generate sustainable Free Cash Flow¹ used to reduce debt and drive leverage down to 1.5x¹ or less by YE-22



Senior secured credit facility borrowing base increased to \$1 billion and elected commitment maintained at \$725 million



¹See Appendix for reconciliations and definitions of non-GAAP measures; ²Balance as of 11-1-21

L A R E D O P E T R O L E U M



APPENDIX

Guidance

Production:	4Q-21	FY-21
Total production (MBOE/d)	80.3 - 83.3	80.5 - 81.3
Oil production (MBO/d)	39.0 - 41.0	31.3 - 31.8
Incurred capital expenditures ¹ (\$ MM)	\$120	\$420
Average sales price realizations: <small>(excluding derivatives)</small>	4Q-21	
Oil (% of WTI)	100%	
NGL (% of WTI)	40%	
Natural gas (% of Henry Hub)	75%	
Net settlements received (paid) for matured commodity derivatives (\$ MM):	4Q-21	
Oil	(\$72)	
NGL	(\$44)	
Natural Gas	(\$34)	
Other (\$ MM):	4Q-21	
Net income / (expense) of purchased oil	(\$3.5)	
Operating costs & expenses (\$/BOE):	4Q-21	
Lease operating expenses	\$4.25	
Production and ad valorem taxes	6.00%	
<small>(% of oil, NGL and natural gas revenues)</small>		
Transportation and marketing expenses	\$1.65	
General and administrative expenses (excluding LTIP)	\$1.70	
General and administrative expenses (LTIP cash)	\$0.35	
General and administrative expenses (LTIP non-cash)	\$0.25	
Depletion, depreciation and amortization	\$9.50	



¹Excludes non-budgeted acquisitions and leasehold expenses

Active Hedge Program to Protect Free Cash Flow

Crude Oil - Hedge Book										
(Volume in Mbls; Price in \$/bbl)	Q1-22	Q2-22	Q3-22	Q4-22	FY-22	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
Brent Swaps	1,017	1,028	1,040	1,040	4,126	-	-	-	-	-
WTD Price	\$48.34	\$48.34	\$48.34	\$48.34	\$48.34	-	-	-	-	-
Brent Collars	393	397	391	391	1,561	-	-	-	-	-
WTD Floor Price	\$56.65	\$56.65	\$56.65	\$56.65	\$56.65	-	-	-	-	-
WTD Ceiling Price	\$65.44	\$65.44	\$65.44	\$65.44	\$65.44	-	-	-	-	-
WTI Swaps	810	91	92	92	1,085	-	-	-	-	-
WTD Price	\$68.91	\$64.40	\$64.40	\$64.40	\$67.77	-	-	-	-	-
WTI Collars	837	846	856	856	3,395	180	182	184	184	730
WTD Floor Price	\$58.23	\$58.23	\$58.23	\$58.23	\$58.23	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
WTD Ceiling Price	\$69.39	\$69.39	\$69.39	\$69.39	\$69.39	\$75.66	\$75.66	\$75.66	\$75.66	\$75.66
Total Swaps/Collars	3,047	2,352	2,378	2,378	10,155	180	182	184	184	730
WTD Floor Price	\$57.57	\$53.89	\$53.89	\$53.89	\$54.99	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00

Natural Gas Liquids - Hedge Book										
(Volume in Mbls; Price in \$/bbl)	Q1-22	Q2-22	Q3-22	Q4-22	FY-22	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
Ethane Swaps	378	382	386	386	1,533	-	-	-	-	-
WTD Price	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	-	-	-	-	-
Propane Swaps	286	291	294	294	1,168	-	-	-	-	-
WTD Price	\$35.91	\$35.91	\$35.91	\$35.91	\$35.91	-	-	-	-	-
Butane Swaps	90	91	92	92	365	-	-	-	-	-
WTD Price	\$41.58	\$41.58	\$41.58	\$41.58	\$41.58	-	-	-	-	-
Isobutane Swaps	27	27	28	28	110	-	-	-	-	-
WTD Price	\$42.00	\$42.00	\$42.00	\$42.00	\$42.00	-	-	-	-	-
Pentane Swaps	90	91	92	92	365	-	-	-	-	-
WTD Price	\$60.65	\$60.65	\$60.65	\$60.65	\$60.65	-	-	-	-	-

Natural Gas - Hedge Book										
(Volume in MMBbls; Price in \$/MMBbl)	Q1-22	Q2-22	Q3-22	Q4-22	FY-22	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
Henry Hub Swaps	900,000	910,000	920,000	920,000	3,650,000	-	-	-	-	-
WTD Price	\$2.73	\$2.73	\$2.73	\$2.73	\$2.73	-	-	-	-	-
Henry Hub Collars	7,200,000	7,280,000	7,360,000	7,360,000	29,200,000	900,000	910,000	920,000	920,000	3,650,000
WTD Floor Price	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
WTD Ceiling Price	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84	\$4.45	\$4.45	\$4.45	\$4.45	\$4.45
Total Henry Hub Swaps/Collars	8,100,000	8,190,000	8,280,000	8,280,000	32,850,000	900,000	910,000	920,000	920,000	3,650,000
WTD Floor Price	\$3.05	\$3.05	\$3.05	\$3.05	\$3.05	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Waha Basis Swaps	7,155,000	7,234,500	7,314,000	7,314,000	29,017,500	-	-	-	-	-
WTD Price	(\$0.36)	(\$0.36)	(\$0.36)	(\$0.36)	(\$0.36)	-	-	-	-	-



Note: NGL barrel composition includes 42% Ethane, 33% Propane, 11% Butane, 3% Isobutane and 11% Pentane
As of 1-5-22

Commodity Prices Used for 4Q-21 Average Sales Price Realization and Derivatives Guidance

Oil:

	WTI NYMEX (\$/Bbl)	Brent ICE (\$/Bbl)
Oct-21	\$81.22	\$83.71
Nov-21	\$83.06	\$83.67
Dec-21	\$81.13	\$82.46
4Q-21 Average	\$81.79	\$83.28

Natural Gas:

	HH (\$/MMBtu)	Waha (\$/MMBtu)
Oct-21	\$5.84	\$4.92
Nov-21	\$6.20	\$5.56
Dec-21	\$5.43	\$5.51
4Q-21 Average	\$5.82	\$5.33

Natural Gas Liquids:

	C2 (\$/Bbl)	C3 (\$/Bbl)	IC4 (\$/Bbl)	NC4 (\$/Bbl)	C5+ (\$/Bbl)	Composite (\$/Bbl)
Oct-21	\$18.24	\$60.73	\$68.12	\$67.93	\$80.55	\$46.08
Nov-21	\$17.64	\$58.38	\$68.62	\$68.88	\$80.64	\$45.18
Dec-21	\$17.69	\$58.28	\$67.99	\$68.09	\$80.22	\$45.02
4Q-21 Average	\$17.86	\$59.14	\$68.24	\$68.29	\$80.47	\$45.43

Supplemental Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net income or loss (GAAP) plus adjustments for share-settled equity-based compensation, depletion, depreciation and amortization, impairment expense, mark-to-market on derivatives, premiums paid for commodity derivatives that matured during the period, accretion expense, gains or losses on disposal of assets, interest expense, income taxes and other non-recurring income and expenses. Adjusted EBITDA provides no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, working capital movement or tax position. Adjusted EBITDA does not represent funds available for future discretionary use because it excludes funds required for debt service, capital expenditures, working capital, income taxes, franchise taxes and other commitments and obligations. However, our management believes Adjusted EBITDA is useful to an investor in evaluating our operating performance because this measure is widely used by investors in the oil and natural gas industry to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon accounting methods, the book value of assets, capital structure and the method by which assets were acquired, among other factors; helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating structure; and is used by our management for various purposes, including as a measure of operating performance, in presentations to our board of directors and as a basis for strategic planning and forecasting. There are significant limitations to the use of Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss and the lack of comparability of results of operations to different companies due to the different methods of calculating Adjusted EBITDA reported by different companies. Our measurements of Adjusted EBITDA for financial reporting as compared to compliance under our debt agreements differ. The following table presents a reconciliation of net income (loss) (GAAP) to Adjusted EBITDA (non-GAAP):

<i>(in thousands, unaudited)</i>	Three months ended,			
	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Net Income (loss)	(\$165,932)	(\$75,439)	(\$132,661)	\$136,832
Plus:				
Share-settled equity-based compensation, net	2,106	2,068	1,730	1,811
Depletion, depreciation and amortization	42,210	38,109	39,976	62,678
Impairment expense	109,804	—	1,613	—
(Gain) loss on sale of oil and natural gas properties, net	—	—	1,741	(95,223)
Organizational restructuring expenses	—	—	9,800	—
Mark-to-market on derivatives:				
Loss on derivatives, net	81,935	154,365	216,942	96,240
Settlements received (paid) for matured derivatives, net	41,786	(41,174)	(57,607)	(92,726)
Net premiums paid for commodity derivatives that matured during the period ⁽¹⁾	—	(11,005)	(10,153)	(10,162)
Accretion expense	1,105	1,143	1,158	906
(Gain) loss on disposal of assets, net	(84)	72	(66)	22
Interest expense	26,139	25,946	25,870	30,406
Gain on extinguishment of debt, net	(22,309)	—	—	—
Income tax expense (benefit)	3,208	(762)	(1,322)	2,677
Adjusted EBITDA	\$119,958	\$93,323	\$96,991	\$133,441

(1) Reflects net premiums paid previously or upon settlement that are attributable to derivatives settled in the respective periods presented

Supplemental Non-GAAP Financial Measures

Consolidated EBITDAX (Credit Agreement Calculation)

"Consolidated EBITDAX" means, for any Person for any period, the Consolidated Net Income of such Person for such period, plus each of the following, to the extent deducted in determining Consolidated Net Income without duplication, determined for such Person and its Consolidated Subsidiaries on a consolidated basis for such period: any provision for (or less any benefit from) income or franchise Taxes; interest expense (as determined under GAAP as in effect as of December 31, 2016), depreciation, depletion and amortization expense; exploration expenses; and other non-cash charges to the extent not already included in the foregoing clauses (i), (ii) or (iv), plus the aggregate Specified EBITDAX Adjustments during such period; provided that the aggregate Specified EBITDAX Adjustments shall not exceed fifteen percent (15%) of the Consolidated EBITDAX for such period prior to giving effect to any Specified EBITDAX Adjustments for such period, and minus all non-cash income to the extent included in determining Consolidated Net Income. For the purposes of calculating Consolidated EBITDAX for any Rolling Period in connection with any determination of the financial ratio contained in Section 10.1(b), if during such Rolling Period, Borrower or any Consolidated Restricted Subsidiary shall have made a Material Disposition or Material Acquisition, the Consolidated EBITDAX for such Rolling Period shall be calculated after giving pro forma effect thereto as if such Material Disposition or Material Acquisition, as applicable, occurred on the first day of such Rolling Period.

For additional information, please see the Company's Fifth Amended and Restated Credit Agreement, as amended, dated May 2, 2017 as filed with Securities and Exchange Commission.

The following table presents a reconciliation of net income (loss) (GAAP) to Consolidated EBITDAX (Credit Agreement Calculation; non-GAAP):

<i>(in thousands, unaudited)</i>	Three months ended,			
	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Net Income (loss)	(\$165,932)	(\$75,439)	(\$132,661)	\$136,832
Organizational restructuring expenses	—	—	9,800	—
(Gain) loss on sale of oil and natural gas properties, net	—	—	1,741	(95,223)
Gain on extinguishment of debt, net	(22,309)	—	—	—
(Gain) loss on disposal of assets, net	(94)	72	(66)	22
Consolidated Net Income (Loss)	(188,335)	(75,367)	(121,186)	41,631
Mark-to-market on derivatives:				
Loss on derivatives, net	81,935	154,365	216,942	96,240
Settlements received (paid) for matured derivatives, net	41,786	(41,174)	(57,607)	(92,726)
Mark-to-market loss on derivatives, net	123,721	113,191	159,335	3,514
Premiums received (paid) for commodity derivatives	—	9,041	—	—
Non-Cash Charges/Income:				
Deferred income tax expense (benefit)	3,208	(762)	(1,322)	1,377
Depletion, depreciation and amortization	42,210	32,109	39,976	62,678
Share-settled equity-based compensation, net	2,106	2,068	1,730	1,811
Accretion expense	1,105	1,143	1,158	906
Impairment expense	109,804	—	1,613	—
Interest expense	26,139	25,946	25,870	30,406
Consolidated EBITDAX after EBITDAX Adjustments (limited to 15%) (non-GAAP)	\$119,958	\$113,369	\$107,174	\$142,322

Supplemental Non-GAAP Financial Measures

Net Debt

Net Debt, a non-GAAP financial measure, is calculated as the face value of long-term debt less cash and cash equivalents. Management believes Net Debt is useful to management and investors in determining the Company's leverage position since the Company has the ability, and may decide, to use a portion of its cash and cash equivalents to reduce debt. Net Debt as of 9-30-21 was \$1.318 B.

Net Debt to TTM Adjusted EBITDA

Net Debt to TTM Adjusted EBITDA is calculated as Net Debt divided by trailing twelve-month Adjusted EBITDA. Net Debt to Adjusted EBITDA is used by our management for various purposes, including as a measure of operating performance, in presentations to our board of directors and as a basis for strategic planning and forecasting.

Net Debt to TTM Consolidated EBITDAX (Credit Agreement Calculation)

Net Debt to TTM Consolidated EBITDAX is calculated as Net Debt divided by trailing twelve-month Consolidated EBITDAX. Net Debt to Consolidated EBITDAX is used by the banks in our Senior Secured Credit Agreement as a measure of indebtedness and as a calculation to measure compliance with the Company's leverage covenant.

Cash Flow

Cash flow, a non-GAAP financial measure, represents cash flows from operating activities before changes in operating assets and liabilities, net.

Free Cash Flow

Free Cash Flow is a non-GAAP financial measure, that we define as net cash provided by operating activities (GAAP) before changes in operating assets and liabilities, net, less incurred capital expenditures, excluding non-budgeted acquisition costs. Free Cash Flow does not represent funds available for future discretionary use because it excludes funds required for future debt service, capital expenditures, acquisitions, working capital, income taxes, franchise taxes and other commitments and obligations. However, management believes Free Cash Flow is useful to management and investors in evaluating operating trends in our business that are affected by production, commodity prices, operating costs and other related factors. There are significant limitations to the use of Free Cash Flow as a measure of performance, including the lack of comparability due to the different methods of calculating Free Cash Flow reported by different companies.

We are unable to provide a reconciliation of the forward-looking Free Cash Flow projection contained in this presentation to net cash provided by operating activities, the most directly comparable GAAP financial measure, because we cannot reliably predict certain of the necessary components of net cash provided by operating activities, such as changes in working capital, without unreasonable efforts. Such unavailable reconciling information may be significant.

