UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report: August 15, 2023
(Date of earliest event reported)

RING ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada	001-36057	90-0406406
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1725 Hughes Landing Blvd., Suite 900
The Woodlands, TX 77380
(Address of principal executive offices) (Zip Code)

(281) 397-3699
(Registrant's telephone number, including area code)

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

Check the appropriate box below if the Form 8-K 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))

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, $0.001 par value	**REI**	**NYSE American**

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. ◻

Introductory Note

As previously disclosed in its Current Report on Form 8-K filed on August 17, 2023 (the "Prior 8-K"), with the U.S. Securities and Exchange Commission (the "SEC"), on August 15, 2023, Ring Energy, Inc. (the "Company"), as buyer, and Founders Oil & Gas IV, LLC ("Founders"), as seller, consummated the transactions (the "Founders Acquisition") contemplated in the Asset Purchase Agreement dated July 10, 2023 by and between the Company and Founders (the "Purchase Agreement") that was previously reported on Form 8-K filed on July 14, 2023 with the SEC.

The Company is filing this amendment to the Prior 8-K for the purpose of providing (i) the audited consolidated financial statements of Founders and affiliate as of and for the fiscal years ended September 30, 2022 and 2021, (ii) the unaudited interim consolidated financial statements of Founders and affiliate as of and for the nine months ended June 30, 2023, and (iii) the unaudited pro forma financial information giving effect to the Founders Acquisition.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses acquired*.

Audited consolidated financial statements of Founders Oil & Gas IV, LLC and affiliate for the fiscal years ended September 30, 2022 and 2021 are attached hereto as Exhibit 99.1 and incorporated herein by reference.

Unaudited interim consolidated financial statements of Founders Oil & Gas IV, LLC and affiliate for the nine months ended June 30, 2023 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) *Pro forma financial information*.

Unaudited pro forma condensed combined balance sheet as of June 30, 2023 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2022 and the six months ended June 30, 2023 are attached hereto as Exhibit 99.3 and incorporated herein by reference. These unaudited pro forma financial statements give effect to the Founders Acquisition on the basis, and subject to the assumptions, set forth in accordance with Article 11 of Regulation S-X.

(d) Exhibits.

The following exhibits are included with this Current Report on Form 8-K/A:

Exhibit No.	Description
23.1	Consent of Whitley Penn LLP
99.1	Audited consolidated financial statements of Founders Oil & Gas IV, LLC and affiliate for the fiscal years ended September 30, 2022 and 2021.
99.2	Unaudited interim consolidated financial statements of Founders Oil & Gas IV, LLC and affiliate for the nine months ended June 30, 2023.
99.3	Unaudited pro forma condensed combined balance sheet as of June 30, 2023 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2022 and the six months ended June 30, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

RING ENERGY, INC.

Date:	October 26, 2023	By:	/s/ Travis T. Thomas
			Travis T. Thomas
			Chief Financial Officer

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the registration statements on Form S-3 of Ring Energy, Inc. (Nos. 333-229515, 333-230966, 333-237988, and 333-267599) and Form S-8 (Nos. 333-191485 and 333-257633) of our report dated February 15, 2023, with respect to the consolidated financial statements of Founders Oil & Gas IV, LLC and affiliate as of and for the fiscal years ended September 30, 2022 and 2021, included in this Current Report on Form 8-K/A of Ring Energy, Inc.

Whitley Penn LLP

Fort Worth, Texas
October 26, 2023

FOUNDERS OIL & GAS IV, LLC
and AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2022 and 2021
with Report of Independent Auditors

FOUNDERS OIL & GAS IV, LLC
and AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2022 and 2021

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Fort Worth Office
640 Taylor Street
Suite 2200
Fort Worth, Texas 76102
817.259.9100 Main

whitleypenn.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
Founders Oil & Gas IV, LLC and its affiliate

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Founders Oil & Gas IV, LLC and its affiliate (collectively referred to as the "Company") as of September 30, 2022 and 2021, and the related consolidated statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Whitley Penn LLP

We have served as the Company's auditor since 2022.

Fort Worth, Texas
February 15, 2023

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Consolidated Balance Sheets

	September 30, 2022	September 30, 2021
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 8,816,718	$ 6,610,218
Crude Oil and Natural Gas Receivable	5,813,385	2,502,411
Other Receivables	75,297	94,620
Prepaid Expenses and Other Current Assets	338,245	412,912
Inventory	2,309,550	-
Total Current Assets	17,353,195	9,620,161
Property and Equipment		
Oil and Gas Properties (Successful Efforts Method)	103,639,011	78,560,126
Other Property and Equipment	413,458	407,819
Total Property and Equipment	104,052,469	78,967,945
Less: Accumulated Depreciation, Depletion and Amortization	(29,166,594)	(16,288,781)
Total Property and Equipment, Net	74,885,875	62,679,164
Total Assets	$ 92,239,070	$ 72,299,325
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts Payable	$ 112,123	$ 13,891
Accrued Capital Costs	194,914	2,875,856
Other Accrued Liabilities	2,371,976	1,821,292
Revenue Payable	973,291	515,372
Total Current Liabilities	3,652,304	5,226,411
Long-Term Liabilities		
Asset Retirement Obligations	3,081,007	2,829,303
Total Liabilities	6,733,311	8,055,714
Commitments and Contingencies		
Member's Equity		
Member's Equity	83,305,884	66,212,212
Non-Controlling Interest	2,199,875	(1,968,601)
Total Member's Equity	85,505,759	64,243,611
Total Liabilities and Member's Equity	$ 92,239,070	$ 72,299,325

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Consolidated Statements of Income

	Years ended September 30, 2022	2021
REVENUES		
Oil Sales	$ 53,866,927	$ 25,090,458
Natural Gas Sales	4,921,948	1,506,532
Other Revenue	237,016	238,595
Total Revenue	59,025,891	26,835,585
OPERATING EXPENSES		
Production Expenses	12,118,214	5,348,790
Production Taxes and Revenue Deductions	2,950,637	1,329,487
Depletion, Depreciation and Amortization	13,106,355	9,001,908
General and Administrative Expenses	4,615,161	3,803,011
Total Expenses	32,790,367	19,483,196
INCOME FROM OPERATIONS	26,235,524	7,352,389
OTHER INCOME (EXPENSE)		
Realized Gain on Property Sales	18,000	-
Other Expense	(163,808)	(53,651)
Total Other Income (Expense), Net	(145,808)	(53,651)
NET INCOME	$ 26,089,716	$ 7,298,738
Net loss attributable to Non-Controlling Interest	$ (4,384,756)	$ (3,617,568)
Net income attributable to Founders Oil & Gas IV, LLC	$ 30,474,472	$ 10,916,306

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Consolidated Statements of Changes in Member's Equity

	Years Ended September 30, 2022 and 2021		
	Member's Equity	Non-Controlling Interest	Total
Balance at September 30, 2020	$ 51,429,442	$ 1,871,228	$ 53,300,670
Net income (loss)	10,916,306	(3,617,568)	7,298,738
Contributions from Member	-	3,666,537	3,666,537
Distributions to Member	-	(22,334)	(22,334)
Deemed Contributions / (Distributions)	3,866,464	(3,866,464)	-
Balance at September 30, 2021	66,212,212	(1,968,601)	64,243,611
Net income (loss)	30,474,472	(4,384,756)	26,089,716
Contributions from Member	-	1,172,432	1,172,432
Distributions to Member	-	(6,000,000)	(6,000,000)
Deemed Contributions / (Distributions)	(13,380,800)	13,380,800	-
Balance at September 30, 2022	$ 83,305,884	$ 2,199,875	$ 85,505,759

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Consolidated Statements of Cash Flows

	Years Ended September 30, 2022	2021
Operating Activities		
Net income	$ 26,089,716	$ 7,298,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization and accretion	13,106,355	9,001,908
Unsuccessful acquisition costs	163,808	53,651
Settlement of asset retirement obligations	-	(100,181)
Gain on sale of equipment	(18,000)	-
Changes in operating assets and liabilities:		
Crude Oil and Natural Gas Receivable	(3,310,974)	(1,527,897)
Other Receivables	19,323	(15,276)
Prepaid Expenses and Other Current Assets	74,667	(179,455)
Inventory	(2,309,550)	-
Accounts Payable and accrued liabilities	1,106,835	409,863
Net cash provided by operating activities	34,922,180	14,941,351
Investing Activities		
Development of crude oil and natural gas properties	(27,847,827)	(14,032,263)
Purchases of other property and equipment	(58,285)	-
Proceeds from sale of equipment	18,000	-
Net cash used in investing activities	(27,888,112)	(14,032,263)
Financing Activities		
Contributions from Member	1,172,432	3,666,537
Distributions to Member	(6,000,000)	(22,334)
Net cash provided by (used in) financing activities	(4,827,568)	3,644,203
Net increase in cash and cash equivalents	2,206,500	4,553,291
Cash and cash equivalents at beginning of year	6,610,218	2,056,927
Cash and cash equivalents at end of year	$ 8,816,718	$ 6,610,218
Supplemental Disclosure of Non-Cash Information		
Additions to crude oil and natural gas properties through accrued expenses	$ 194,914	$ 2,875,856
Additions to asset retirement obligations	$ 75,808	$ 50,538

FOUNDERS OIL & GAS IV, LLC AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Nature of Business

Founders Oil & Gas IV, LLC and Founders Oil & Gas Operating, LLC (collectively referred to as the "Company") are Delaware limited liability companies ("LLCs") under common control which engage in the exploration, development, production, and sale of crude oil and natural gas primarily in West Texas. The Company's executive offices are located in Arlington, Texas.

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

B. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Founders Oil & Gas IV, LLC and Founders Oil & Gas Operating, LLC (collectively referred to as the "Company"), which are under common control. Founders Oil & Gas Operating, LLC is a variable interest entity ("VIE"), therefore, it has been consolidated with Founders Oil & Gas IV, LLC. See Note G for discussion of all variable interest entities. The accounts are maintained, and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany accounts, transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and accompanying notes. Actual results could materially differ from these estimates and assumptions. Significant assumptions are required in the valuation of proved crude oil and natural gas reserves and asset retirement obligations ("ARO"). It is possible these estimates could be revised in the near term and these revisions could be material.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At September 30, 2022 and 2021, the Company had no such investments.

B. Summary of Significant Accounting Policies – continued

Crude Oil and Natural Gas Receivable

Crude oil and natural gas accounts receivable are stated at amounts management expects to collect from outstanding balances. The Company's crude oil and natural gas accounts receivable are due from purchasers of crude oil and natural gas. Crude oil and natural gas revenue receivables are generally unsecured. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. As of September 30, 2022, and 2021, credit losses had not occurred and an allowance for doubtful accounts was not recorded.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

The Company's accounts receivable is due from either the purchasers of crude oil and natural gas or participants in crude oil and natural gas wells which the Company serves as the operator. Generally, operators of crude oil and natural gas properties have the right to offset future revenues against unpaid charges related to operated wells. The Company's receivables from purchasers are generally unsecured; however, there have been no credit losses incurred to date.

Crude oil and natural gas sales to two purchasers totaled approximately 99.9% of crude oil and natural gas revenues for 2022 and 2021. These significant customers' accounts receivable balances totaled 100.0% of the total crude oil and natural gas receivable as of September 30, 2022 and September 30, 2021. Due to the nature of the markets for crude oil and natural gas, the Company does not believe the loss of any one purchaser would have a material adverse impact on the Company's financial position, results of operations, or cash flows for any significant period of time.

Inventory

Inventory generally consists of finished goods purchased for the development of the crude oil and natural gas properties and are stated at the lower of cost or net realizable value.

B. Summary of Significant Accounting Policies – continued

Crude Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting to account for its crude oil and natural gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells, and development costs are capitalized. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of each of the related exploratory wells are charged to expense.

In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. The timing of any write downs of these unproven properties, if warranted, depends upon the nature, timing, and extent of future exploration and development activities and their results. Exploration costs such as geological, geophysical, and seismic costs are expensed as incurred, unless such costs relate to seismic surveys to further develop a proven area and then, those costs are capitalized.

As exploration and development work progresses and the reserves on these properties are proven, capitalized costs attributed to the properties are subject to depreciation and depletion. Depletion of capitalized costs is provided using the units-of-production method based on proved crude oil and natural gas reserves related to the specific crude oil and natural gas property. At September 30, 2022 and 2021, the Company's crude oil and natural gas revenues come from wells with proven reserve estimates that were prepared by an independent engineering firm.

On the sale or retirement of a complete or partial unit of a proved property and related facilities, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and any gain or loss is recognized.

Other Property and Equipment

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

Buildings	20 years
Equipment	3 to 5 years
Vehicles	2 to 4 years

B. Summary of Significant Accounting Policies – continued

Long-Lived Assets

The carrying value of the crude oil and natural gas properties, related facilities, and other property and equipment is periodically evaluated for impairment. GAAP requires long-lived assets and certain identifiable intangibles to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is determined that the estimated future net cash flows of an asset will not be sufficient to recover its carrying amount, an impairment loss must be recorded to reduce the carrying amount to its estimated fair value.

The Company evaluates impairment of proven and unproven crude oil and natural gas properties on a field-by-field basis. On this basis, certain fields may be impaired because they are not expected to recover their entire carrying value from future net cash flows. At September 30, 2022 and 2021, the Company owned just one single field and no associated impairment was identified.

Asset Retirement Obligations

The Company recognizes an asset retirement obligation for legal obligations associated with the retirement of the Company's long-lived assets. Crude oil and natural gas producing companies incur such a liability upon acquiring or drilling a well. An asset retirement obligation is recorded as a liability at its estimated present value at the asset's inception, with an offsetting increase to producing properties in the accompanying consolidated balance sheet which is allocated to expense over the useful life of the asset. Periodic accretion of the discount on asset retirement obligations is recorded as an expense in the accompanying consolidated statement of operations. See Note E.

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Crude Oil Sales

Sales under the Company's oil contracts are generally considered performed when the Company sells oil production at the wellhead and receives an agreed-upon index price, net of any price differentials. The Company recognizes revenue when control transfers to the purchaser at the wellhead based on the price received.

B. Summary of Significant Accounting Policies – continued

Revenue Recognition - continued

Natural Gas and Natural Gas Liquid ("NGL") Sales

The Company evaluated whether it was the principal or the agent in natural gas processing transactions and concluded that it is the principal when it has the ability to take-in-kind, which is the case in the majority of the Company's gas processing and transportation contracts. Therefore, the Company recognizes natural gas and NGL revenue on a gross basis, and the related natural gas gathering, processing, and transportation costs associated with its take-in-kind arrangements are recorded as production costs in the consolidated statements of operations.

Performance Obligations and Contract Balances

The majority of the Company's product sale commitments are short-term in nature with a contract term of one year or less. The Company typically satisfies its performance obligations upon transfer of control as described above and records the related revenue in the month production is delivered to the purchaser. Settlement statements for sales of oil, NGL, and natural gas may not be received for 30 to 60 days after the date the volumes are delivered and, as a result, the Company is required to estimate the amount of volumes delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. Historically, differences between the Company's revenue estimates and actual revenue received have not been significant. The crude oil and natural gas receivable balance as of September 30, 2020 was $974,514.

Fair Value Measurement

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

B. Summary of Significant Accounting Policies – continued

Fair Value Measurement - continued

The ARO is classified within Level 3 as the fair value is estimated using discounted cash flow projections using numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for an ARO, estimated amounts and timing of settlements, the credit-adjusted risk free rate to be used and inflation rates. See Note E for the summary of changes in the fair value of the asset retirement obligation for the years ended September 30, 2022 and 2021.

Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities, which qualify as financial instruments and includes this information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable and accounts payable approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

Comprehensive Income

The Company has no elements of comprehensive income other than net income.

Income Taxes

The Company is a disregarded entity for U.S. tax purposes and its income and loss are included in the income tax reporting of its direct parent company, DRH Oil and Gas, Inc. Because the Company is not subject to tax, no provision for federal income tax has been provided for in the accompanying consolidated financial statements.

Variable Interest Entity

Founders Oil & Gas IV, LLC is involved with an entity that is deemed to be a VIE. A VIE is an entity that: (1) has an insufficient amount of equity investment at risk to permit the entity to finance its activities without additional subordinated financial support by other parties; (2) the equity investors are unable to make significant decisions about the entity's activities through voting rights or similar rights; or (3) the equity investors do not have the obligation to absorb expected losses or the right to receive residual returns of the entity. The Company is required to consolidate a VIE if it is determined to be the primary beneficiary, that is, the enterprise that has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE. Accordingly, Founders Oil & Gas IV, LLC consolidates Founders Oil & Gas Operating, LLC. See Note G for discussion about all variable interest entities.

C. Other Property and Equipment

Other Property and Equipment consisted of the following at September 30:

	2022	2021
Buildings	$ 234,393	$ 234,393
Vehicles	97,008	91,369
Land	50,000	50,000
Equipment	32,057	32,057
	413,458	407,819
Less accumulated depreciation	(114,395)	(142,433)
	$ 299,063	$ 265,386

D. Other Accrued Liabilities

Other Accrued Liabilities consisted of the following amounts, including estimates, at September 30:

	2022	2021
LOE and Workover Expenses	$ 868,424	$ 479,953
Related Party Payables	592,550	480,942
Payroll Related Expenses	505,791	460,003
Estimated Property taxes	405,211	400,394
	$ 2,371,976	$ 1,821,292

E. Asset Retirement Obligations

The Company recognizes the fair value of its asset retirement obligations related to the plugging, abandonment, and remediation of crude oil and natural gas producing properties. The present value of the estimated asset retirement costs has been capitalized as part of the carrying amount of the related long-lived assets, which at the time of recognition was estimated to be $2,584,265 and $2,508,457 as of September 30, 2022 and 2021, respectively.

The liability has accreted to its present value as of September 30, 2022. The Company has evaluated approximately 170 wells, and has determined a range of abandonment dates through September 2061.

The following table summarizes the changes in the Company's asset retirement obligations for the year ended September 30:

	2022	2021
Asset retirement obligations at beginning of year	$ 2,829,303	$ 2,709,616
Wells drilled during the year	75,808	50,538
Settlement of asset retirement obligations	-	(100,181)
Accretion of discount	175,896	169,330
Asset retirement obligations at end of year	$ 3,081,007	$ 2,829,303

F. Member's Equity

Profit and losses will be determined and allocated with respect to each fiscal year of the Company as of the end of such fiscal year. Profits and losses will be allocated to the sole member in a manner such that the adjusted capital account of the member is equal to the distribution that would be made to such member if the Company were dissolved.

G. Variable Interest Entities

GAAP requires VIE's to be consolidated under certain conditions. Founders Oil & Gas IV, LLC is the primary beneficiary of Founders Oil & Gas Operating, LLC (the "Consolidated VIE") as their operations are interrelated.

G. Variable Interest Entities - continued

The consolidated VIE's assets and liabilities included in the accompanying consolidated financial statements consisted of the following at September 30:

	2022	2021
Cash and cash equivalents	$ 8,815,718	$ 6,609,218
Other receivables	75,297	94,620
Other current assets	338,245	412,911
Inventory	2,309,550	-
Other property and equipment, net	249,062	215,386
Total assets	$ 11,787,872	$ 7,332,135
Accounts payable	$ 112,123	$ 13,891
Other accrued liabilities	1,119,540	962,145
Revenue payable	973,292	515,373
Total liabilities	$ 2,204,955	$ 1,491,409

H. Employee Benefit Plans

The Company is a wholly owned subsidiary of D.R. Horton, Inc. ("DHI") and the Company's employees are eligible to participate in a comprehensive compensation and benefits package, which includes a broad range of DHI-sponsored benefits, including medical, dental and vision healthcare insurance and paid parental leave. In addition to base pay, eligible employees may participate in the Company's 401(k) plan, employee stock purchase plan, short-term incentive bonus program and/or its stock compensation plans. For the years ended September 30, 2022, and 2021, the Company was charged through an intercompany billing process costs of $1,116,852 and $681,577 associated with the following DHI-sponsored plans:

Deferred Compensation Plans

DHI has a 401(k) plan for all employees who have been with the Company for a period of six months or more. Through DHI, the Company matches portions of employees' voluntary contributions.

DHI's Supplemental Executive Retirement Plan (SERP) is a non-qualified deferred compensation program that provides benefits payable to certain management employees upon retirement, death or termination of employment. Under the SERP, the Company accrues an unfunded benefit based on a percentage of the eligible employees' salaries, as well as an interest factor based upon a predetermined formula.

H. Employee Benefit Plans - continued

Deferred Compensation Plans – continued

DHI has a deferred compensation plan available to a select group of employees which allows participating employees to contribute compensation into the plan on a before tax basis and defer income taxation on the contributions until the funds are withdrawn from the plan. The participating employees designate investments for their contributions; however, DHI is not required to invest the contributions in the designated investments.

Employee Stock Purchase Plan

DHI's Employee Stock Purchase Plan provides eligible employees the opportunity to purchase common stock of DHI at a discounted price of 85% of the fair market value of the stock on the designated dates of purchase. The price to eligible employees may be further discounted depending on the average fair market value of the stock during the period and certain other criteria. Under the terms of the plan, the total fair market value of common stock that an eligible employee may purchase each year is limited to the lesser of 15% of the employee's annual compensation or $25,000.

Incentive Bonus Plan

DHI's Incentive Bonus Plan provides for the Compensation Committee to award short-term performance bonuses to senior management based upon the level of achievement of certain criteria. For fiscal 2022, 2021 and 2020, the Compensation Committee approved awards whereby certain executive officers could earn performance bonuses based upon percentages of the Company's pre-tax income.

Stock-Based Compensation

DHI's Stock Incentive Plan provides for the granting of stock options and restricted stock units to executive officers, other key employees and nonmanagement directors. Restricted stock unit (RSU) awards may be based on service over a requisite time period (time-based) or on performance (performance-based). RSU equity awards represent the contingent right to receive one share of the DHI's common stock per RSU if the vesting conditions and/or performance criteria are satisfied. The RSUs have no dividend or voting rights until vested.

I. Commitments and Contingencies

Environmental Remediation

Various federal, state, and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, may affect the Company's operations and the costs of its crude oil and natural gas exploration, development, and production operations. The Company does not anticipate that it will be required in the near future to expend significant amounts in relation to environmental laws and regulations, and appropriately no reserves have been recorded.

Litigation

The Company is involved in various suits and claims arising in the normal course of business. In management's opinion, the ultimate outcome of these items will not have a material adverse effect on the Company's consolidated results of operations or financial position.

J. Related Party Transactions

The Company is a wholly owned subsidiary of D.R. Horton, Inc. ("DHI"). Throughout the years, DHI has incurred certain costs associated with payroll, insurance, office facilities and shared services on behalf of the Company, and then charged them back through an intercompany billing process. For the years ended September 30, 2022, and 2021, DHI incurred costs of $4,257,013 and $3,442,365 on behalf of the company. In a similar fashion, and for the years ended September 30, 2022, and 2021, the Company incurred costs of $565,195 and $187,406 on behalf of other affiliated subsidiaries of DHI, which then offset the related party payables balances. As of September 30, 2022, and 2021, the Company had related party payables of $592,550 and $480,942, respectively, which are included within Other Accrued Liabilities on the accompanying consolidated balance sheets.

K. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through February 15, 2023, the date the financial statements were available for issuance.

L. Supplemental Crude Oil and Natural Gas Disclosures (Unaudited)

Crude Oil and Natural Gas Reserves

Proved reserves represent estimated quantities of natural gas, crude oil and condensate and natural gas liquids that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under economic and operating conditions in effect when the estimates were made. Proved developed reserves are proved reserves expected to be recovered through wells and equipment in place and under operating methods used when the estimates were made.

Proved oil and natural gas reserve estimates as of September 30, 2022, and 2021 were prepared by Ryder Scott Company, L.P., independent petroleum engineers. Proved reserves were estimated in accordance with guidelines established by the SEC, which require that reserve estimates be prepared under existing economic and operating conditions based upon the 12-month unweighted average of the first-day-of-the-month prices. The prices were adjusted to reflect applicable transportation and quality differentials on a well-by-well basis to arrive at realized sales prices used to estimate the properties' reserves. The prices for the properties' reserves were as follows:

	2022	2021
Oil (BBl)	$ 90.79	$ 55.74
Natural gas (MMBtu)*	$ 6.83	$ 3.21

*Pricing includes revenue received from NGL sales as well as natural gas.

The reserves information represents only estimates. There are a number of uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the Company's control, such as commodity pricing. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered, and the data should not be construed as being representative of the fair market value of the Company's proved crude oil and natural gas reserves.

L. Supplemental Crude Oil and Natural Gas Disclosures (Unaudited) - continued

Oil and Natural Gas Reserves

The following table sets forth the estimated net Proved Developed Reserves for the periods indicated:

	Oil (MBBL)	Gas (MMCF)	Total MBOE
Balance - September 30, 2020	856	1,023	1,027
Development	1,032	1,868	1,343
Revision of previous estimates	554	629	659
Production	(567)	(456)	(643)
Balance, September 30, 2021	1,875	3,064	2,386
Development	912	1,804	1,213
Revision of previous estimates	293	347	351
Production	(682)	(806)	(816)
Balance - September 30, 2022	2,398	4,409	3,134

Capitalized Costs Incurred Related to Oil and Gas Activities

Capitalized costs includes the cost of leaseholds, as well as the properties, equipment, and facilities for oil and natural gas producing activities.

	2022	2021
Proved Producing Capitalized Costs		
Beginning of year	$ 54,265,702	$ 31,273,578
Transferred from Uncompleted Wells	29,669,812	22,992,124
End of year	83,935,514	54,265,702
Uncompleted Well Development Costs		
Beginning of year	24,294,424	32,620,704
Additional costs incurred	25,078,885	14,665,844
Transferred to Proved Producing	(29,669,812)	(22,992,124)
End of year	19,703,497	24,294,424
Total Capitalized Costs	$ 103,639,011	$ 78,560,126

L. Supplemental Crude Oil and Natural Gas Disclosures (Unaudited) - continued

Standardized Measure of Discounted Future Net Cash Flows Relating to Oil & Natural Gas Reserves

The standardized measure of discounted future net cash flows relating to oil and natural gas reserves and associated changes in standard measure amounts were prepared in accordance with the provision of Financial Accounting Standard Board ASC 932-235-555. Future cash inflows were computed by applying average prices of oil and natural gas for the last 12 months to estimated future production. Future production and development costs were computed by estimating the expenditures to be incurred in developing the oil and natural gas reserves at the end of the year, based on year end costs and assuming continuation of existing economic conditions. Future net cash flows are discounted at the rate of 10% annually to derive the standardized measure of discounted cash flows. Actual future cash inflows may vary considerably, and the standardized measure does not necessarily represent the fair value of the acquired properties' oil and natural gas reserves. Standard measure amounts are:

	September 30,	
Description	**2022**	**2021**
Future cash inflows	$ 247,895,000	$114,319,000
Future production costs	(96,787,000)	(44,276,000)
Future production taxes	(12,300,000)	(5,561,000)
Future net cash flows	138,808,000	64,482,000
10% annual discount for estimated timing of cash flows	(41,109,000)	(22,546,000)
Standardized measure	$ 97,699,000	$ 41,936,000

Changes in the Standardized Measure of Discounted Future Net Cash Flows

The following is a summary of the changes in the Standardized Measure of Discounted Future Net Cash Flows at 10% per annum:

	September 30,	
Description	**2022**	**2021**
Beginning of year	$ 41,936,000	$ 10,902,000
Net change in prices and production costs	26,814,550	8,729,682
Net change due to oil & gas produced during the year	(43,957,040)	(20,157,308)
Net change due to revisions in quantity estimates	68,711,890	41,371,426
Accretion of discount	4,193,600	1,090,200
End of year	$ 97,699,000	$ 41,936,000

Estimates of economically recoverable natural gas and oil reserves and of future net revenues are based upon a number of variable factors and assumptions, all of which are to some degree subjective and may vary considerably from actual results. Therefore, actual production, revenues, development and operating expenditures may not occur as estimated. The reserve data are estimates only, are subject to many uncertainties, and are based on data gained from production histories and on assumptions as to geologic formations and other matters. Actual quantities of natural gas and oil may differ materially from the amounts estimated.

FOUNDERS OIL & GAS IV, LLC
and AFFILIATE

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2023

FOUNDERS OIL & GAS IV, LLC
and AFFILIATE

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2023

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FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Condensed Consolidated Balance Sheet
June 30, 2023
(Unaudited)

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	11,682,968
Crude Oil and Natural Gas Receivable		3,742,762
Other Receivables		120,695
Prepaid Expenses and Other Current Assets		352,246
Inventory		1,335,730
Total Current Assets		17,234,401
Property and Equipment		
Oil and Gas Properties (Successful Efforts Method)		135,198,501
Other Property and Equipment		413,458
Total Property and Equipment		135,611,959
Less: Accumulated Depreciation, Depletion and Amortization		(43,285,663)
Total Property and Equipment, Net		92,326,296
Total Assets	$	109,560,697
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts Payable	$	3,993
Other Accrued Liabilities		3,632,013
Revenue Payable		682,012
Total Current Liabilities		4,318,018
Long-Term Liabilities		
Asset Retirement Obligations		3,293,152
Total Liabilities		7,611,170
Commitments and Contingencies		
Member's Equity		
Member's Equity		93,669,431
Non-Controlling Interest		8,280,096
Total Member's Equity		101,949,527
Total Liabilities and Member's Equity	$	109,560,697

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Condensed Consolidated Statement of Income
Nine months ended June 30, 2023
(Unaudited)

REVENUES		
Crude Oil Sales	$	47,191,459
Natural Gas Sales		1,074,519
Other Revenue		193,000
Total Revenue		48,458,978
OPERATING EXPENSES		
Production Expenses		12,212,673
Production Taxes and Revenue Deductions		2,291,880
Depletion, Depreciation and Amortization		14,255,408
General and Administrative Expenses		3,842,274
Total Expenses		32,602,235
INCOME FROM OPERATIONS		15,856,743
OTHER INCOME (EXPENSE)		
Other Income		222
Other Expense		(242,288)
Total Other Income (Expense), Net		(242,066)
NET INCOME	$	15,614,677
Net loss attributable to Non-Controlling Interest	$	(3,924,435)
Net income attributable to Founders Oil & Gas IV, LLC	$	19,539,112

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Condensed Consolidated Statement of Changes in Member's Equity
Nine months Ended June 30, 2023
(Unaudited)

	Member's Equity	Non-Controlling Interest	Total
Balance at September 30, 2022	$ 83,305,884	$ 2,199,875	$ 85,505,759
Net income (loss)	19,539,112	(3,924,435)	15,614,677
Contributions from Member	-	8,592,550	8,592,550
Distributions to Member	-	(7,763,459)	(7,763,459)
Deemed Contributions / (Distributions)	(9,175,565)	9,175,565	-
Balance at June 30, 2023	$ 93,669,431	$ 8,280,096	$ 101,949,527

FOUNDERS OIL & GAS IV, LLC and AFFILIATE
Condensed Consolidated Statement of Cash Flows
Nine months Ended June 30, 2023
(Unaudited)

Operating Activities		
Net income	$	15,614,677
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization and accretion		14,255,408
Unsuccessful acquisition costs		242,288
Changes in operating assets and liabilities:		
Crude Oil and Natural Gas Receivable		2,070,623
Other Receivables		(45,398)
Prepaid Expenses and Other Current Assets		(14,001)
Inventory		1,260,152
Accounts Payable and accrued liabilities		860,628
Net cash provided by operating activities		34,244,377
Investing Activities		
Development of crude oil and natural gas properties		(32,207,218)
Net cash used in investing activities		(32,207,218)
Financing Activities		
Contributions from Member		8,592,550
Distributions to Member		(7,763,459)
Net cash provided by financing activities		829,091
Net increase in cash and cash equivalents		2,866,250
Cash and cash equivalents at beginning of period		8,816,718
Cash and cash equivalents at end of period	$	11,682,968

Supplemental Disclosure of Non-Cash Information		
Additions to inventory through transfer of crude oil and natural gas properties	$	286,332
Additions to asset retirement obligations	$	75,806

See Accompanying Notes to Condensed Consolidated Financial Statements

FOUNDERS OIL & GAS IV, LLC AND AFFILIATE

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Presentation

Organization and Nature of Business

Founders Oil & Gas IV, LLC and Founders Oil & Gas Operating, LLC (collectively referred to as the "Company") are Delaware limited liability companies ("LLCs") under common control which engage in the exploration, development, production, and sale of crude oil and natural gas primarily in West Texas. The Company's executive offices are located in Arlington, Texas.

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

Condensed Financial Statements

The accompanying condensed consolidated financial statements prepared by the Company 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 period presented, which adjustments were of a normal recurring nature.

These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") applicable to interim financial information, and accordingly, do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements and notes included in the Company's annual audited report for the year ended September 30, 2022.

B. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Founders Oil & Gas IV, LLC and Founders Oil & Gas Operating, LLC, which are under common control. Founders Oil & Gas Operating, LLC is a variable interest entity ("VIE"), therefore, it has been consolidated with Founders Oil & Gas IV, LLC. See Note E for discussion of the variable interest entity. The accounts are maintained, and the condensed consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany accounts, transactions and balances have been eliminated in consolidation.

B. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could materially differ from these estimates and assumptions. Significant assumptions are required in the valuation of proved crude oil and natural gas reserves and asset retirement obligations ("ARO"). It is possible these estimates could be revised in the near term and these revisions could be material.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2023, the Company had no such investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

The Company's accounts receivable is due from either the purchasers of crude oil and natural gas or participants in crude oil and natural gas wells which the Company serves as the operator. Generally, operators of crude oil and natural gas properties have the right to offset future revenues against unpaid charges related to operated wells. The Company's receivables from purchasers are generally unsecured; however, there have been no credit losses incurred to date.

Crude oil and natural gas sales to two purchasers totaled approximately 99.9% of crude oil and natural gas revenues for 2023. These significant customers' accounts receivable balances totaled 100.0% of the total crude oil and natural gas receivable as of June 30, 2023. Due to the nature of the markets for crude oil and natural gas, the Company does not believe the loss of any one purchaser would have a material adverse impact on the Company's financial position, results of operations, or cash flows for any significant period of time.

Inventory

Inventory generally consists of finished goods purchased for the development of the crude oil and natural gas properties and are stated at the lower of cost or net realizable value.

B. Summary of Significant Accounting Policies – continued

Crude Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting to account for its crude oil and natural gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells, and development costs are capitalized. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of each of the related exploratory wells are charged to expense.

In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. The timing of any write downs of these unproven properties, if warranted, depends upon the nature, timing, and extent of future exploration and development activities and their results. Exploration costs such as geological, geophysical, and seismic costs are expensed as incurred, unless such costs relate to seismic surveys to further develop a proven area and then, those costs are capitalized.

As exploration and development work progresses and the reserves on these properties are proven, capitalized costs attributed to the properties are subject to depletion.

Depletion of capitalized costs is provided using the units-of-production method based on proved crude oil and natural gas reserves related to the specific crude oil and natural gas property. At June 30, 2023, the Company's crude oil and natural gas revenues come from wells with proven reserve estimates that were prepared by an independent engineering firm.

On the sale or retirement of a complete or partial unit of a proved property and related facilities, the cost and related accumulated depletion and amortization are eliminated from the property accounts, and any gain or loss is recognized.

Other Property and Equipment

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

Buildings	20 years
Equipment	3 to 5 years
Vehicles	2 to 4 years

B. Summary of Significant Accounting Policies – continued

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Crude Oil Sales

Sales under the Company's oil contracts are generally considered performed when the Company sells oil production at the wellhead and receives an agreed-upon index price, net of any price differentials. The Company recognizes revenue when control transfers to the purchaser at the wellhead based on the price received.

Natural Gas and Natural Gas Liquid ("NGL") Sales

The Company evaluated whether it was the principal or the agent in natural gas processing transactions and concluded that it is the principal when it has the ability to take-in-kind, which is the case in the majority of the Company's gas processing and transportation contracts. Therefore, the Company recognizes natural gas and NGL revenue on a gross basis, and the related natural gas gathering, processing, and transportation costs associated with its take-in-kind arrangements are recorded as production costs in the condensed consolidated statements of income.

Performance Obligations and Contract Balances

The majority of the Company's product sale commitments are short-term in nature with a contract term of one year or less. The Company typically satisfies its performance obligations upon transfer of control as described above and records the related revenue in the month production is delivered to the purchaser. Settlement statements for sales of crude oil, NGL, and natural gas may not be received for 30 to 60 days after the date the volumes are delivered and, as a result, the Company is required to estimate the amount of volumes delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. Historically, differences between the Company's revenue estimates and actual revenue received have not been significant. The crude oil and natural gas receivable balance as of September 30, 2022 was $5,813,385.

Fair Value Measurement

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

B. Summary of Significant Accounting Policies – continued

Fair Value Measurement – continued

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The ARO is classified within Level 3 as the fair value is estimated using discounted cash flow projections using numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for an ARO, estimated amounts and timing of settlements, the credit-adjusted risk free rate to be used and inflation rates. See Note C of changes in the fair value of the asset retirement obligation for the nine months ended June 30, 2023.

Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities, which qualify as financial instruments and includes this information in the notes to condensed consolidated financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable and accounts payable approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

Comprehensive Income

The Company has no elements of comprehensive income other than net income.

Income Taxes

The Company is a disregarded entity for U.S. tax purposes and its income and loss are included in the income tax reporting of its direct parent company, DRH Oil and Gas, Inc. Because the Company is not subject to tax, no provision for federal income tax has been provided for in the accompanying condensed consolidated financial statements.

B. Summary of Significant Accounting Policies – continued

Variable Interest Entity

Founders Oil & Gas IV, LLC is involved with an entity that is deemed to be a VIE. A VIE is an entity that: (1) has an insufficient amount of equity investment at risk to permit the entity to finance its activities without additional subordinated financial support by other parties; (2) the equity investors are unable to make significant decisions about the entity's activities through voting rights or similar rights; or (3) the equity investors do not have the obligation to absorb expected losses or the right to receive residual returns of the entity. The Company is required to consolidate a VIE if it is determined to be the primary beneficiary, that is, the enterprise that has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE. Accordingly, Founders Oil & Gas IV, LLC consolidates Founders Oil & Gas Operating, LLC. See Note E for discussion about the variable interest entity.

C. Asset Retirement Obligations

The Company recognizes the fair value of its asset retirement obligations related to the plugging, abandonment, and remediation of crude oil and natural gas producing properties. The present value of the estimated asset retirement costs has been capitalized as part of the carrying amount of the related long-lived assets, which at the time of recognition was estimated to be $2,660,071.

The liability has accreted to its present value as of June 30, 2023. The Company has evaluated approximately 180 wells and has determined a range of abandonment dates through September 2062.

The following table summarizes the changes in the Company's asset retirement obligations for the nine months ended June 30, 2023:

Asset retirement obligations at beginning of period	$ 3,081,007
Wells drilled during the period	75,806
Accretion of discount	136,339
Asset retirement obligations at end of period	$ 3,293,152

D. Member's Equity

Profit and losses will be determined and allocated with respect to each fiscal year of the Company as of the end of such fiscal year. Profits and losses will be allocated to the sole member in a manner such that the adjusted capital account of the member is equal to the distribution that would be made to such member if the Company were dissolved.

E. Variable Interest Entity

GAAP requires VIEs to be consolidated under certain conditions. Founders Oil & Gas IV, LLC is the primary beneficiary of Founders Oil & Gas Operating, LLC (the "Consolidated VIE") as their operations are interrelated.

The consolidated VIE's assets and liabilities included in the accompanying condensed consolidated financial statements consisted of the following at June 30, 2023:

Cash and cash equivalents	$ 11,681,968
Other receivables	120,695
Other current assets	352,246
Inventory	1,335,730
Other property and equipment, net	215,974
Total assets	$ 13,706,613
Accounts payable	$ 3,993
Other accrued liabilities	1,369,936
Revenue payable	682,012
Total liabilities	$ 2,055,941

F. Employee Benefit Plans

The Company is a wholly owned subsidiary of D.R. Horton, Inc. ("DHI") and the Company's employees are eligible to participate in a comprehensive compensation and benefits package, which includes a broad range of DHI-sponsored benefits, including medical, dental and vision healthcare insurance and paid parental leave. In addition to base pay, eligible employees may participate in the Company's 401(k) plan, employee stock purchase plan, short-term incentive bonus program and/or its stock compensation plans. For the nine months ended June 30, 2023, the Company was charged through an intercompany billing process costs of $1,207,621 associated with the following DHI-sponsored plans:

Deferred Compensation Plans

DHI has a 401(k) plan for all employees who have been with the Company for a period of six months or more. Through DHI, the Company matches portions of employees' voluntary contributions.

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F. Employee Benefit Plans - continued

Deferred Compensation Plans – continued

DHI has a deferred compensation plan available to a select group of employees which allows participating employees to contribute compensation into the plan on a before tax basis and defer income taxation on the contributions until the funds are withdrawn from the plan. The participating employees designate investments for their contributions; however, DHI is not required to invest the contributions in the designated investments.

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G. Commitments and Contingencies

Environmental Remediation

Various federal, state, and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, may affect the Company's operations and the costs of its crude oil and natural gas exploration, development, and production operations. The Company does not anticipate that it will be required in the near future to expend significant amounts in relation to environmental laws and regulations, and appropriately no reserves have been recorded.

Litigation

The Company is involved in various suits and claims arising in the normal course of business. In management's opinion, the ultimate outcome of these items will not have a material adverse effect on the Company's consolidated results of operations or financial position.

H. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through August 18, 2023, the date the financial statements were available for issuance. On July 11, Ring Energy, Inc. (NYSE American: REI) ("Ring") announced it had entered into an agreement to acquire all of the assets of Founders Oil & Gas IV, LLC for $75.0 million in cash consideration (the "Transaction") with an effective date of April 1, 2023. On August 15, 2023, Ring completed the Transaction through a combination of cash and a deferred cash payment due on or about December 15, 2023.

Ring Energy, Inc.
Unaudited Pro Forma Condensed Combined Financial Information

On July 11, 2023, Ring Energy, Inc. ("Ring" or the "Company"), announced the execution of an asset purchase agreement ("Purchase Agreement") with Founders Oil & Gas IV, LLC ("Founders" or the "Seller") for the acquisition of certain oil and gas producing properties in the Permian Central Basin Platform of West Texas, including approximately 3,600 net acres located in Ector County, Texas ("Founders Acquisition"). The Founders Acquisition closed on August 15, 2023 and has an effective date of April 1, 2023 ("Effective Date").

Based on estimates as of August 15, 2023, the fair value of consideration to be paid to the seller is approximately $75.0 million, of which $50.0 million (inclusive of a $7.5 million deposit made on July 11, 2023 but excluding purchase price adjustments of approximately $10 million), was paid in cash at closing, and an additional $15.0 million subject to post-closing adjustments will be paid in cash after the four-month anniversary of the closing date of the Founders Acquisition. In addition, Ring assumed $0.7 million of revenues in suspense, $2.1 million of asset retirement obligations and $0.2 million of accrued but unpaid property taxes in the Founders Acquisition, all based upon estimated fair value at the closing date.

The Founders Acquisition will be accounted for as an asset acquisition in accordance with Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"). The fair value of the consideration paid by Ring and the allocation of that amount to the underlying assets acquired is recorded on a relative fair value basis. Additionally, costs directly related to the Founders Acquisition are capitalized as a component of the purchase price. The unaudited pro forma condensed combined financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Ring's historical condensed consolidated financial information in order to account for the Founders Acquisition and include the assumption of liabilities as set forth in the Purchase Agreement.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2023 gives effect to the Founders Acquisition as if it had been completed on June 30, 2023. The Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2023 and the Year Ended December 31, 2022 gives effect to the Founders Acquisition as if it had been completed on January 1, 2022. The historical audited consolidated financial statements of Founders have a fiscal year end of September 30, 2023. Certain pro forma adjustments were made in the Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2023 and the Year Ended December 31, 2022 to conform the fiscal year end of Founders to the calendar year end of Ring. These pro forma adjustments are described in more detail in the accompanying notes to the unaudited pro forma condensed combined financial statements. Additional assumptions and estimates underlying the pro forma adjustments are also described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Ring would have been had the Founders Acquisition and related financing occurred on the dates noted above, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. Future results may vary significantly from the results reflected because of various factors. In Ring's opinion, all adjustments that are necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

The unaudited pro forma condensed combined financial information does not reflect the benefits of potential cost savings or the costs that may be necessary to achieve such savings, opportunities to increase revenue generation or other factors that may result from the Founders Acquisition and, accordingly, does not attempt to predict or suggest future results.

The unaudited pro forma financial statements have been developed from and should be read in conjunction with:

- The audited consolidated financial statements and accompanying notes of Ring contained in Ring's Annual Reports on Form 10-K for the years ended December 31, 2022 and 2021;
- The unaudited consolidated financial statements and accompanying notes contained in Ring's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023;
- The audited consolidated financial statements and related notes of Founders and affiliate for the years ended September 30, 2022 and 2021, which are included elsewhere in this filing; and
- The unaudited consolidated financial statement and related notes of Founders and affiliate for the nine months ended June 30, 2023, which are included elsewhere in this filing.

Ring Energy, Inc.

Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2023

(in thousands)

	Historical		Transaction Accounting Adjustments				
	Ring	Founders	Conforming and Reclassifications		Founders Acquisition		Pro Forma Combined
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 1,750	$ 11,683	$ (11,683)	(a)	$ 50,005	(d)	$ 432
					(50,005)	(g)	
					(1,318)	(j)	
Accounts receivable	32,044	—	—		—		32,044
Crude oil and natural gas receivable	—	3,743	(3,743)	(a)	—		—
Other receivables	—	120	(120)	(a)	—		—
Joint interest billing receivables, net	2,618	—	—		—		2,618
Derivative assets	8,308	—	—		—		8,308
Inventory	7,327	1,336	(1,336)	(a)	—		7,327
Prepaid expenses and other assets	3,061	352	(352)	(a)	—		3,061
Total Current Assets	55,108	17,234	(17,234)		(1,318)		53,790
Properties and Equipment:							
Oil and natural gas properties, full cost method	1,524,511	—	—		64,674	(c)	1,593,505
					234	(i)	
					1,318	(j)	
					2,091	(h)	
					677	(f)	
Oil and natural gas properties (successful efforts methods)	—	135,199	(135,199)	(b)	—		—
Other property and equipment	—	414	(414)	(a)	—		—
Financing lease asset subject to depreciation	3,144	—	—		—		3,144
Fixed assets subject to depreciation	2,762	—	—		—		2,762
Total Properties and Equipment	1,530,417	135,613	(135,613)		68,994		1,599,411
Accumulated depreciation, depletion, amortization	(331,153)	(43,286)	43,286	(b)	—		(331,153)
Net Properties and Equipment	1,199,264	92,327	(92,327)		68,994		1,268,258
Operating lease asset	1,629	—	—		—		1,629
Derivative assets	10,556	—	—		—		10,556
Deferred financing costs	15,458	—	—		—		15,458
Total Assets	$ 1,282,015	$ 109,561	$ (109,561)		$ 67,676		$ 1,349,691
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities:							
Accounts payable	$ 90,021	$ 4	$ (4)	(a)	$ 14,669	(e)	$ 105,601
					677	(f)	
					234	(i)	
Other accrued liabilities	—	3,632	(3,632)	(a)	—		—
Income tax liability	98	—	—		—		98

Financing lease liability	761	—	—		—		761
Operating lease liability	394	—	—		—		394
Derivative liabilities	7,849	—	—		—		7,849
Notes payable	1,413	—	—		—		1,413
Revenue payable	—	682	(682)	(a)	—		—
Asset retirement obligations	409	—	—		—		409
Total Current Liabilities	100,945	4,318	(4,318)		15,580		116,525
Noncurrent Liabilities:							
Deferred income taxes	4,074	—	—		—		4,074
Revolving line of credit	397,000	—	—		50,005	(d)	447,005
Financing lease liability, less current portion	766	—	—		—		766
Operating lease liability, less current portion	1,264	—	—		—		1,264
Derivative liabilities	10,829	—	—		—		10,829
Asset retirement obligations	28,297	3,293	(3,293)	(a)	2,091	(h)	30,388
Total Noncurrent Liabilities	442,230	3,293	(3,293)		52,096		494,326
Total Liabilities	543,175	7,611	(7,611)		67,676		610,851
Stockholders' Equity							
Preferred stock - $0.001 par value; 50,000,000 shares authorized; no shares issued or outstanding	—	—	—		—		—
Common stock - $0.001 par value; 450,000,000 shares authorized; 195,350,672 issued and outstanding	195	—	—		—		195
Members equity	—	93,670	(93,670)	(a)	—		—
Non-controlling interest	—	8,280	(8,280)	(a)	—		—
Additional paid-in capital	791,451	—	—		—		791,451
Accumulated deficit	(52,806)	—	—		—		(52,806)
Total Stockholders' Equity	738,840	101,950	(101,950)		—		738,840
Total Liabilities and Stockholders' Equity	$1,282,015	$ 109,561	$ (109,561)		$ 67,676		$1,349,691

Ring Energy, Inc.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Six Months Ended June 30, 2023

(in thousands, except share and per share amounts)

	Historical		Transaction Accounting Adjustments				Pro Forma
	Ring	Founders	Conforming and Reclassifications		Founders Acquisition		Combined
Operating Revenue:							
Oil, natural gas and natural gas liquids revenues	$ 167,431	$ —	$ 35,040	(b)	$ —		$ 203,371
			900	(b)			
Crude oil sales	—	47,191	(12,151)	(a)	—		—
			(35,040)	(b)			
Natural gas sales	—	1,075	(175)	(a)	—		—
			(900)	(b)			
Other revenue	—	193	(62)	(a)	—		—
			(131)	(c)			
Total Operating Revenue	167,431	48,459	(12,519)		—		203,371
Costs and Operating Expenses:							
Lease operating expenses	33,411	—	8,772	(d)	—		42,183
Production expenses	—	12,213	(3,441)	(a)	—		—
			(8,772)	(d)			
Gathering, transportation and processing costs	(3)	—	—				(3)
Ad valorem taxes	3,341	—	—		—		3,341
Production taxes and revenue deductions	—	2,292	(572)	(a)	—		—
			(1,720)	(e)			
Oil and natural gas production taxes	8,420	—	1,720	(e)	—		10,140
Depreciation, depletion and amortization	42,065	14,255	(3,344)	(a)	(3,136)	(i)	49,840
Asset retirement obligation accretion	720	—	—		52	(i)	772
Operating lease expense	229	—	—		—		229
General and administrative expense	13,940	3,842	(1,260)	(a)	—		16,522
Exploration and abandonment costs	—	—	—		—		—
Total Costs and Operating Expenses	102,123	32,602	(8,617)		(3,084)		123,024
Income (Loss) from Operations	65,308	15,857	(3,902)		3,084		80,347
Other Income (Expense):							
Interest income	80	—	—		—		80
Interest expense	(20,941)	—	—		(2,175)	(g)	(23,116)
Gain on derivative contracts	12,739	—	—		—		12,739
Loss on disposal of assets	(132)	—	—		—		(132)
Other income	126	—	131	(c)	—		15
			(242)	(f)			
Other expense	—	(242)	242	(f)	—		—
Net Other Income (Expense)	(8,128)	(242)	131		(2,175)		(10,414)
Income (Loss) Before Income Tax	57,180	15,615	(3,771)		909		69,933

Provision for income taxes	4,327	—	—	—		4,327
Net Income (Loss)	$ 61,507	$ 15,615	$ (3,771)	$ 909		$ 74,260
Weighted-Average Common Shares Outstanding:						
Basic	185,545,775	—	—	—	(k)	185,545,775
Diluted	193,023,966	—	—	—	(k)	193,023,966
Net Income (Loss) per Common Share:						
Basic	$ 0.33				(k)	$ 0.40
Diluted	$ 0.32				(k)	$ 0.38

Ring Energy, Inc.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2022

(in thousands, except share and per share amounts)

	Historical		Transaction Accounting Adjustments				
	Ring	Founders	Conforming and Reclassifications		Founders Acquisition		Pro Forma Combined
Operating Revenue:							
Oil, natural gas and natural gas liquids revenues	$ 347,250	$ —	$ 55,873	(b)	$ —		$ 406,879
			3,756	(b)			
Crude oil sales	—	53,867	2,006	(a)	—		—
			(55,873)	(b)			
Natural gas sales	—	4,922	(1,166)	(a)	—		—
			(3,756)	(b)			
Other revenue	—	237	4	(a)	—		—
			(241)	(b)			
Total Operating Revenue	347,250	59,026	603		—		406,879
Costs and Operating Expenses:							
Lease operating expenses	47,695	—	13,570	(d)	—		61,265
Production expenses	—	12,118	1,452	(a)	—		—
			(13,570)	(d)			
Gathering, transportation and processing costs	1,830	—	—				1,830
Ad valorem taxes	4,671	—	—		—		4,671
Production taxes and revenue deductions	—	2,951	(29)	(a)	—		—
			(2,922)	(e)			
Oil and natural gas production taxes	17,126	—	2,922	(e)	—		20,048
Depreciation, depletion and amortization	55,741	13,106	316	(a)	(2,258)	(i)	66,905
Asset retirement obligation accretion	983	—	—		103	(i)	1,086
Operating lease expense	364	—	—		—		364
General and administrative expense	27,095	4,615	245	(a)	—		31,955
Exploration and abandonment costs	—	—	—		—		—
Total Costs and Operating Expenses	155,505	32,790	1,984		(2,155)		188,124
Income (Loss) from Operations	191,745	26,236	(1,381)		2,155		218,755
Other Income (Expense):							
Interest income	—	—	—		—		—
Interest expense	(23,168)	—	—		(4,350)	(g)	(27,849)
					(331)	(h)	
Loss on derivative contracts	(21,533)	—	—		—		(21,533)
Other income	—	—	241	(b)	—		241
Realized gain on property sales	—	18	(18)	(j)	—		—
Other expense	—	(164)	18	(j)	—		(146)
Net Other Income (Expense)	(44,701)	(146)	241		(4,681)		(49,287)

Income (Loss) Before Income Tax	147,044	26,090	(1,140)	(2,526)		169,468
Provision for income taxes	(8,409)	—	—	—		(8,409)
Net Income (Loss)	$ 138,635	$ 26,090	$ (1,140)	$ (2,526)		$ 161,059
Weighted-Average Common Shares Outstanding:						
Basic	121,264,175	—	—	—	(k)	121,264,175
Diluted	141,754,668	—	—	—	(k)	141,754,668
Net Income (Loss) per Common Share:						
Basic	$ 1.14				(k)	$ 1.33
Diluted	$ 0.98				(k)	$ 1.14

Ring Energy, Inc.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements were prepared based on the historical consolidated financial statements of Ring and the historical consolidated financial statements of Founders. The Founders Acquisition has been accounted for as an asset acquisition in accordance with ASC 805. The fair value of the consideration paid by Ring and allocation of that amount to the underlying assets acquired, on a relative fair value basis, will be recorded on Ring's books as of the date of the closing of the Founders Acquisition. Additionally, costs directly related to the Founders Acquisition are capitalized as a component of the purchase price.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2023 and the Year Ended December 31, 2022 were prepared assuming the Founders Acquisition occurred on January 1, 2022. The Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2023 was prepared as if the Founders Acquisition had occurred on June 30, 2023. The historical audited consolidated financial statements of Founders have a year end of September 30, 2023. Certain pro forma adjustments were made in the Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2023 and the Year Ended December 31, 2022 to conform the fiscal year end of Founders to the calendar year end of Ring. These pro forma adjustments are described in more detail in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Ring would have been had the Founders Acquisition occurred on the dates noted above, nor are they indicative of future consolidated results of operations or consolidated financial position. In Ring's opinion, all adjustments that are necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

2. Consideration and Purchase Price Allocation

The preliminary allocation of the total purchase price in the Founders Acquisition is based upon management's estimates of, and assumptions related to, the fair value of assets to be acquired and liabilities to be assumed as of the closing date of the transaction using currently available information and market data as of August 15, 2023. Because the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final purchase price allocation and the resulting effect on financial position and results of operations may differ significantly from the pro forma amounts included herein.

The preliminary purchase price allocation is subject to change due to several factors, including but not limited to changes in the estimated fair value of assets acquired and liabilities assumed as of the closing date of the transaction, which could result from changes in future oil and natural gas commodity prices, reserve estimates, interest rates, as well as other factors.

The consideration transferred and the fair value of assets acquired and liabilities assumed by Ring are as follows (in thousands):

Consideration:	
Cash consideration, after closing adjustments	$ 50,005
Fair value of deferred payment liability	14,669
Fair value of consideration to be paid to seller	64,674
Direct transaction costs	1,318
Total consideration	$ 65,992
Relative fair value of assets acquired:	
Oil and natural gas properties	
Proved	65,613
Unevaluated	3,381
Amount attributable to assets acquired	$ 68,994
Fair value of liabilities assumed:	
Suspense liability	677
Ad valorem taxes	234
Asset retirement obligations	2,091
Amount attributable to liabilities assumed	$ 3,002

The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs. The fair value of oil and gas properties and asset retirement obligations were measured using the discounted cash flow technique of valuation.

Significant unobservable inputs included future commodity prices adjusted for differentials, projections of estimated quantities of recoverable reserves, forecasted production based on decline curve analysis, estimated timing and amount of future operating and development costs, and a weighted average cost of capital.

3. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet and Unaudited Pro Forma Condensed Combined Statements of Operations

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Ring. Actual results may differ materially from the assumptions and estimates contained herein.

The pro forma adjustments are based on currently available information and certain estimates and assumptions that Ring believes provide a reasonable basis for presenting the significant effects of the Founders Acquisition. General descriptions of the pro forma adjustments are provided below.

Unaudited Pro Forma Condensed Combined Balance Sheet

The following adjustments were made in the preparation of the Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2023:

(a) Adjustment to remove assets and liabilities not acquired as part of the Founders Acquisition.

(b) Adjustment to eliminate the historical book value and accumulated depreciation, depletion and amortization of Founders oil and gas properties as of June 30, 2023.

(c) Adjustment to reflect the assets acquired of Founders, on a relative fair value basis.

(d) Adjustment to record new borrowings related to the cash consideration used in the Founders Acquisition.

(e) Adjustment to reflect the fair value of the $15.0 million deferred payment to be made in connection with the Founders Acquisition.

(f) Adjustment to reflect the fair value of Founders suspense liabilities assumed as of August 15, 2023.

(g) Adjustment to reflect the cash consideration paid for the Founders Acquisition.

(h) Adjustment to reflect asset retirement obligations associated with the Founders Acquisition properties.

(i) Adjustment to reflect the property taxes assumed as part of the Founders Acquisition.

(j) Adjustment for transaction expenses incurred for the Founders Acquisition.

Unaudited Pro Forma Condensed Combined Statements of Operations

The following adjustments were made in the preparation of the Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2023 and the Year Ended December 31, 2022:

(a) Adjustment to conform Founders fiscal year end of September 30, 2022 and interim nine months ended June 30, 2023 to the calendar year end and six months ended June 30, 2023 presented by Ring. In order to present a comparable unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2023, Ring removed revenues and expenses for the three months ended December 31, 2022 from the unaudited condensed consolidated statement of income for the nine months ended June 30, 2023 of Founders. Similarly, in order to present a comparable unaudited pro forma condensed combined statements of operations for the calendar year ended December 31, 2022, Ring removed revenues and expenses for the three months ended December 31, 2021 and added in revenues and expenses for the three months ended December 31, 2022 to the consolidated statement of income for the fiscal year ended September 30, 2022 of Founders.

(b) Adjustments to conform Founders revenue presentation to the presentation of revenues for Ring.

(c) Adjustment to conform Founders other revenue presentation to the presentation by Ring.

(d) Adjustment to conform Founders production expenses to the presentation by Ring.

(e) Adjustment to conform Founders production taxes and revenue deductions to the presentation by Ring.

(f) Adjustment to conform Founders other expense to the presentation by Ring.

(g) Adjustment to reflect the estimated interest expense in the periods presented with respect to the incremental borrowings necessary to finance the Founders Acquisition. The interest rate utilized as of June 30, 2023 was 8.7% per annum for incremental borrowings. A one-eighth point change in interest rates as of June 30, 2023 would change interest expense by $0.1 million for the six months ended June 30, 2023 and by $0.1 million for the year ended December 31, 2022.

(h) Adjustment to reflect the amortization of the discount resulting from the difference between the principal amount of the deferred payment and the original fair value recognized. The deferred payment of $15.0 million is originally recognized at its fair value of $14.7 million as part of the consideration paid in connection with the Founders Acquisition.

(i) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired and accretion expense from new asset retirement obligations recognized as a result of the Founders Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.

(j) Adjustment to conform Founders realized gain on property sales to the presentation by Ring.

(k) The following table reconciles historical and pro forma basic and diluted earnings per share for the period indicated (in thousands, except share and per share amounts):

	For the Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Historical	**Pro-Forma**	**Historical**	**Pro-Forma**
Net Income	$ 61,507	$ 74,260	$ 138,635	$ 161,059
Basic Weighted-Average Shares Outstanding	185,545,775	185,545,775	121,264,175	121,264,175
Effect of dilutive securities:				
Stock options			83,384	83,384
Restricted stock units	1,192,039	1,192,039	2,040,181	2,040,181
Performance stock units	241,140	241,140	248,206	248,206
Common warrants	6,045,012	6,045,012	18,118,722	18,118,722
Diluted Weighted-Average Shares Outstanding	193,023,966	193,023,966	141,754,668	141,754,668
Basic Earnings per Share	$ 0.33	$ 0.40	$ 1.14	$ 1.33
Diluted Earnings per Share	$ 0.32	$ 0.38	$ .98	$ 1.14

4. Supplemental Unaudited Pro Forma Combined Oil and Natural Gas Reserves and Standardized Measure Information

The following tables set forth information with respect to the historical and pro forma combined estimated oil and natural gas reserves as of December 31, 2022 for Ring and as of September 30, 2022 for Founders. The reserve information of Ring has been prepared by Cawley, Gillespie & Associates, Inc., independent petroleum engineers. Founders reserve information has been prepared by Ryder Scott Company, L.P., independent petroleum engineers. The following unaudited pro forma combined proved reserve information is not necessarily indicative of the results that might have occurred had the Founders Acquisition taken place on January 1, 2022, nor is it intended to be a projection of future results. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Periodic revisions or removals of estimated reserves and future cash flows may be necessary as a result of a number of factors, including reservoir performance, new drilling, crude oil and natural gas prices, changes in costs, technological advances, new geological or geophysical data, changes in business strategies, or other economic factors. Accordingly, proved reserve estimates may differ significantly from the quantities of crude oil and natural gas ultimately recovered. For both Ring and Founders, the reserve estimates shown below were determined using the average first day of the month price for each of the preceding 12 months for oil and natural gas for the years ended December 31, 2022 and September 30, 2022, respectively.

Estimated Oil and Natural Gas Reserves

	As of December 31, 2022	As of September 30, 2022	
	Ring	Founders[2]	Pro Forma Combined
Estimated Proved Developed Reserves:			
Oil (MBbl)	57,012	2,398	59,410
Natural Gas (MMcf)	106,399	4,409	110,808
Natural Gas Liquids (MBbl)	15,333	—	15,333
Total (Mboe)[1]	90,078	3,134	93,212
Estimated Proved Undeveloped Reserves:			
Oil (MBbl)	31,693	—	31,693
Natural Gas (MMcf)	51,471	—	51,471
Natural Gas Liquids (MBbl)	7,773	—	7,773
Total (Mboe)[1]	48,045	—	48,045
Estimated Proved Reserves:			
Oil (MBbl)	88,705	2,398	91,103
Natural Gas (MMcf)	157,870	4,409	162,279
Natural Gas Liquids (MBbl)	23,106	—	23,106
Total (Mboe)[1]	138,123	3,134	141,257

[1] Assumes a ratio of 6 Mcf of natural gas per Boe
[2] Founders reported on a two stream basis, combining natural gas liquids with natural gas.

The following table presents the Standardized Measure of Discounted Future Net Cash Flows (as defined by FASB Accounting Standards Codification 932) relating to the proved crude oil and natural gas reserves of Ring and of the properties acquired in the Founders Acquisition on a pro forma combined basis as of December 31, 2022 for Ring and September 30, 2022 for Founders. The Pro Forma Combined Standardized Measure shown below represents estimates only and should not be construed as the market value of either Founders crude oil and natural gas reserves or the acquired crude oil and natural gas reserves attributable to the Founders Acquisition.

Standardized Measure of Discounted Future Cash Flows

(in thousands)

	As of December 31, 2022	As of September 30, 2022		
	Ring	Founders	Transaction Adjustment (1)	Pro Forma Combined
Oil and Gas Producing Activities:				
Future cash inflows	$ 9,871,961	$ 247,895		$ 10,119,856
Future production costs	(2,751,896)	(96,787)		(2,848,683)
Future development costs	(647,197)	—		(647,197)
Future production taxes	—	(12,300)		(12,300)
Future income tax expense	(1,142,148)	—	(20,033)	(1,162,181)
Future net cash flows	5,330,720	138,808	(20,033)	5,449,495
10% annual discount factor	(3,058,607)	(41,109)	5,032	(3,094,684)
Standardized measure of discounted future net cash flows	$ 2,272,113	$ 97,699	(15,001)	$ 2,354,811

(1) Pro forma adjustment represents effect of income tax on the undiscounted and discounted future net cash flows associated with the Founders Acquisition.

The following table sets forth the changes in the Standardized Measure of discounted future net cash flows attributable to estimated net proved crude oil and natural gas reserves of Ring and Founders on a pro forma combined basis for the year ending December 31, 2022 and September 30, 2022, respectively:

Changes in Standardized Measure of Discounted Future Net Cash Flows

(in thousands)

	For the Year Ended December 31, 2022	For the Year Ended September 30, 2022		
	Ring	Founders	Transaction Adjustment (1)	Pro Forma Combined
Oil and Gas Producing Activities:				
Beginning of the year	$ 1,137,364	$ 41,936	$ (6,439)	$ 1,172,861
Purchase of minerals in place	996,313	—		996,313
Extensions, discoveries and improved recovery	20,448	—		20,448
Development costs incurred during the year	67,455	—		67,455
Sales of oil and gas produced, net of production costs	(283,588)	(43,957)		(327,545)
Sales of minerals in place	—	—		—
Accretion of discount	133,210	4,194	(644)	136,760
Net changes in price and production costs	646,819	26,814		673,633
Net changes in estimated future development costs	(53,254)	—		(53,254)
Revisions of previous quantity estimates	33,584	68,712		102,296
Changes in estimated timing of cash flows	(119,428)	—		(119,428)
Net change in income taxes	(306,810)	—	(7,918)	(314,728)
End of year	$ 2,272,113	$ 97,699	$ (15,001)	$ 2,354,811

(1) Pro forma adjustment represents effect of income tax on the undiscounted and discounted future net cash flows associated with the Founders Acquisition.