

# UNIT CORPORATION

A Delaware Corporation

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Federal EIN: 73-1283193  
NAICS: 211120, 211130, 213111

## **Issuer's Quarterly Report** **For the quarterly period ended March 31, 2024** **(the "Reporting Period")**

The number of shares outstanding of our common stock is 9,758,457 as of May 09, 2024.

The number of shares outstanding of our common stock was 9,654,357 as of December 31, 2023 (end of previous reporting period).

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes ☐ No ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes ☐ No ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes ☐ No ☒

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## Forward-Looking Statements

This report contains “forward-looking statements” related to future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this document that address activities, events or developments we expect or anticipate will or may occur, are forward-looking statements. The words “believes,” “may,” “intends,” “expects,” “anticipates,” “projects,” “estimates,” “predicts,” and similar expressions are used to identify forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions. Future actions, conditions or events, and future results may differ materially from those expressed in our forward-looking statements. Many factors that will determine these results are beyond our ability to control or accurately predict. Specific factors that could cause actual results to differ from those in our forward-looking statements include:

- the amount and nature of our future capital expenditures and how we expect to fund our capital expenditures;
- prices for oil, NGLs, and natural gas;
- demand for oil, NGLs, and natural gas;
- our exploration and drilling prospects;
- the estimates of our proved oil, NGLs, and natural gas reserves;
- oil, NGLs, and natural gas reserve potential;
- development and infill drilling potential;
- expansion and other development trends in the oil and natural gas industry;
- our business strategy;
- our plans to maintain or increase the production of oil, NGLs, and natural gas;
- our ability to utilize the benefits of net operating losses and other deferred tax assets against potential future taxable income;
- expansion and growth of our business and operations;
- demand for our drilling rigs and the rates we charge for the rigs;
- our belief that the outcome of our legal proceedings will not materially affect our financial results;
- our ability to timely secure third-party services used in completing our wells;
- the impact of federal and state legislative and regulatory actions affecting our costs and increasing operating restrictions or delays and other adverse impacts on our business;
- the possibility of security threats, including terrorist attacks and cybersecurity breaches, against or otherwise affecting our facilities and systems;
- any projected production guidelines we may issue;
- our anticipated capital budgets;
- our financial condition and liquidity;
- the number of wells our oil and natural gas segment plans to drill; and
- our estimates of any ceiling test write-downs or other potential asset impairments we may have to record in future periods.

These statements are based on our assumptions and analyses considering our experience and our perception of historical trends, current conditions, expected future developments, and other factors we believe are appropriate in the circumstances. Whether actual results and developments will meet our expectations and predictions is subject to risks and uncertainties, any one or combination of which could cause our actual results to differ materially from our expectations and predictions. Some of these risks and uncertainties are:

- the risk factors discussed in this document and the documents (if any) we incorporate by reference;
- general economic, market, or business conditions;
- the availability and nature of (or lack of) business opportunities we pursue;
- demand for our land drilling services;
- changes in laws and regulations;
- changes in the current geopolitical situation, such as the current conflict occurring between Russia and Ukraine;
- risks relating to financing, including restrictions in our debt agreements and availability and cost of credit;
- risks associated with future weather conditions;
- decreases or increases in commodity prices;

- the amount and terms of our debt;
- future compliance with covenants under our credit agreements;
- our ability to pay dividends and make share repurchases;
- pandemics, epidemics, outbreaks, or other public health events, such as COVID-19; and
- other factors, most of which are beyond our control.

You should not construe this list to be exhaustive and additional discussion of factors that may affect our forward-looking statements appear elsewhere in this report. We believe the forward-looking statements in this report are reasonable. However, there is no assurance that the actions, events, or results expressed in forward-looking statements will occur, or if any of them do, of their timing or what impact they will have on our results of operations or financial condition. Because of these uncertainties, you should not put undue reliance on any forward-looking statements. Except as required by law, we disclaim any obligation to update forward-looking information and to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after this document to reflect incorrect assumptions or unanticipated events.

## **Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices**

The name of the issuer is Unit Corporation. Unless otherwise indicated or required by the context, the terms “Company,” “Unit,” “us,” “our,” “we,” and “its” refer to Unit Corporation or, as appropriate, one or more of its subsidiaries. Unit was founded in 1963 as an oil and natural gas contract drilling company and have since grown to include operations in exploration and production. Unit Corporation is the name of both the successor entity that emerged from bankruptcy on September 3, 2020 and the predecessor entity prior to emergence. Unit is actively conducting operations as a Delaware corporation and is not a “shell company” as defined in the OTCQX U.S. Disclosure Guidelines and the federal securities laws.

Our executive offices are located at 8200 South Unit Drive, Tulsa, Oklahoma 74132; our telephone number is (918) 493-7700. Our company website is at [www.unitcorp.com](http://www.unitcorp.com) and our investor relations contact is Rene Punch, Investor Relations via mail or telephone as listed above or via email at [ir@unitcorp.com](mailto:ir@unitcorp.com).

## **Item 2. Shares Outstanding**

### *Common Stock*

Stockholders of the Company are entitled to dividends if declared by the Board of Directors. Each share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of the stockholders. Our common stock has certain stockholder consent rights related to, among other things, the nature of the Company’s business, liquidation and dissolution, and tax treatment. Holders of common stock do not have preemptive rights, or rights to convert their common stock into other securities.

The provisions of Unit Corporation’s articles of incorporation and bylaws that are summarized below may have an antitakeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider to be in such stockholder’s best interests, including those attempts that might result in a premium over the market price for the shares held by stockholders:

- the requirement that only stockholders owning at least 25% of the outstanding shares of our common stock may call a special stockholders’ meeting;
- our Board of Directors is classified in two groups, each serving staggered two-year terms; and
- the prohibition of any stockholder that owns 4.75% or more of the outstanding shares of our common stock acquiring additional shares without approval by the Board of Directors.

Under our certificate of incorporation, we may issue shares of preferred stock on terms that are unfavorable to the holders of our common stock. The issuance of shares of preferred stock could also prevent or inhibit a third party from acquiring us. The existence of these provisions could depress the price of our common stock, could delay or prevent a takeover attempt or could prevent attempts to replace or remove incumbent management.

Our common stock was issued at a par value of \$0.01 and trades on the OTCQX market under the symbol “UNTC” (CUSIP Number: 909218406).

## *Warrants*

Each holder of Unit common stock outstanding (Old Common Stock) before the Emergence Date that did not opt out of the release under the Plan is entitled to receive 0.03460447 warrants for every share of Old Common Stock owned. Each warrant is exercisable for one share of common stock, subject to adjustment as provided in the Warrant Agreement. The warrants expire on the earliest of (i) September 3, 2027, (ii) consummation of a Cash Sale (as defined in the Warrant Agreement), or (iii) the consummation of a liquidation, dissolution or winding up of the Company.

As of March 31, 2024, the Company had authorized 1,843,318 warrants of which 98,895 had been exercised or canceled.

Among other provisions, the Warrant Agreement outlines potential adjustments to the warrants if certain events occur, including (i) stock dividends payable in shares of common stock or stock splits, (ii) reverse stock splits or similar combination events, (iii) Liquidity Events (as defined in the Warrant Agreement), and (iv) other events not explicitly contemplated which may have an adverse impact to the intent and purpose of the warrants as set forth in the Plan, provided, however, the warrants will not be adjusted for (a) any issuances of securities in connection with a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination, (b) the issuance of any securities by Unit on or after September 3, 2020 (the "Effective Date") pursuant to the Plan or upon the issuance of shares of common stock upon the exercise of such securities, (c) the issuance of any shares of common stock pursuant to the exercise of the warrants, (d) the issuance of shares of common stock pursuant to any management stock option incentive or similar plan, (e) a dividend or distribution to holders of common stock of cash, property, or securities (other than common stock), and/or (f) any change in the par value of the common stock. See Note 16 - Commitments and Contingencies for recent litigation related to the warrants.

Pursuant to the terms of the Warrant Agreement, the Company determined the initial exercise price of the warrants to be \$63.74. On April 7, 2022, the Company delivered notice of the initial exercise price to the Warrant Agent and the warrants became exercisable for shares of the Company's common stock. On or about April 25, 2022, the warrants began trading over-the-counter under the symbol "UNTCW". On March 31, 2023, the warrants began trading on the OTCQX Best Market.

The table below presents information about the securities authorized for issuance as of the dates indicated:

	March 31, 2024	December 31, 2023
<b>Common Stock:</b>		
Number of shares authorized	25,000,000	25,000,000
Number of shares outstanding	9,758,629	9,760,142
Number of shares freely tradable (public float) <sup>(1)(2)</sup>	9,679,337	9,679,275
Total number of holders of record	10	12
<b>Preferred Stock:</b>		
Number of shares authorized	1,000,000	1,000,000
Number of shares outstanding	—	—
Number of shares freely tradable (public float)	—	—
Total number of holders of record	—	—
<b>Warrants:</b>		
Number of shares authorized	1,843,318	1,843,318
Number of shares outstanding	1,728,437	1,744,953
Number of shares freely tradeable (public float)	—	—
Total number of holders of record	—	—

1. The number of shares freely tradable includes shares held by Prescott Group Capital Management LLC and may include shares held by other stockholders owning 10% or more of our common stock. These stockholders may be considered “affiliates” within the meaning of Rule 144, and their shares may be “control shares” subject to the volume and manner of sale restrictions under Rule 144.
2. The number of shares freely tradable excludes shares of our common stock held by our officers and directors as well as shares issued on the exercise of options that had not yet reached the required holding period. These shares may be “control shares” and “restricted shares,” respectively, subject to the volume and manner of sale restrictions under Rule 144.

### *Transfer Agent*

American Stock Transfer and Trust Company, LLC (an Equiniti Company)  
6201 15th Avenue  
Brooklyn, NY 11219  
Phone: (718) 921-8200

American Stock Transfer and Trust Company, LLC (“AST”) is registered under the Securities Exchange Act of 1934, as amended. AST’s procedures and transactions are regulated and audited by the Securities and Exchange Commission.

**Item 3. Unaudited Condensed Consolidated Financial Statements**

**UNIT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	March 31, 2024	December 31, 2023
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,599	\$ 60,779
Accounts receivable, net of allowance for credit losses of \$2.8 million and \$2.6 million at March 31, 2024 and December 31, 2023, respectively	39,438	45,382
Notes receivable (Note 15)	7,954	8,619
Prepaid expenses and other	2,537	3,516
Total current assets	115,528	118,296
Property and equipment:		
Oil and natural gas properties, on the full cost method:		
Proved properties	160,924	161,391
Unproved properties not being amortized	2,311	1,173
Drilling equipment	86,538	85,609
Other	9,262	9,558
Property and equipment, gross	259,035	257,731
Less: accumulated depreciation, depletion, amortization, and impairment	118,821	115,826
Property and equipment, net	140,214	141,905
Deferred tax assets, net (Note 17)	42,183	47,085
Right of use asset (Note 14)	5,400	5,262
Other assets	11,058	10,172
Total assets	\$ 314,383	\$ 322,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,699	\$ 19,448
Accrued liabilities (Note 8)	10,304	16,721
Current operating lease liability (Note 14)	2,310	1,985
Current portion of other long-term liabilities (Note 9)	3,708	4,245
Total current liabilities	30,021	42,399
Operating lease liability (Note 14)	3,206	3,392
Other long-term liabilities (Note 9)	22,796	22,803
Shareholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 25,000,000 shares authorized; 12,261,719 shares issued and 9,758,629 outstanding at March 31, 2024, and 12,248,992 shares issued and 9,760,142 outstanding at December 31, 2023	123	122
Treasury stock (Note 5)	(79,911)	(79,399)
Capital in excess of par value	264,457	263,555
Retained earnings	73,691	69,848
Total shareholders' equity	258,360	254,126
Total liabilities and shareholders' equity	\$ 314,383	\$ 322,720

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

**UNIT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended March 31,	
	2024	2023
	(In thousands except per share amounts)	
Revenues:		
Oil and natural gas	\$ 26,572	\$ 48,026
Contract drilling	40,632	45,903
Total revenues	67,204	93,929
Expenses:		
Operating costs:		
Oil and natural gas	11,979	17,164
Contract drilling	25,725	26,872
Total operating costs	37,704	44,036
Depreciation, depletion, and amortization	3,901	3,891
General and administrative	4,978	5,090
(Gain) loss on disposition of assets (Note 4)	65	(3,753)
Total operating expenses	46,648	49,264
Income from operations	20,556	44,665
Other income (expense):		
Interest income	954	1,757
Interest expense	(30)	(39)
Gain (loss) on derivatives, net (Note 12)	—	13,595
Reorganization items, net	(22)	(81)
Other, net	(377)	107
Total other income (expense)	525	15,339
Income before income taxes	21,081	60,004
Income tax expense (benefit), net (Note 17):		
Current	75	190
Deferred	4,902	(74,836)
Total income tax expense (benefit), net	4,977	(74,646)
Net income	16,104	134,650
Net income per common share (Note 7):		
Basic	\$ 1.64	\$ 13.93
Diluted	\$ 1.61	\$ 13.75

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



**UNIT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Total
	(In thousands)				
Balances as of December 31, 2023	\$ 122	\$ (79,399)	\$ 263,555	\$ 69,848	\$ 254,126
Net income	—	—	—	16,104	16,104
Dividends declared (Note 5)	—	—	—	(12,261)	(12,261)
Stock-based compensation	—	—	871	—	871
Exercise of stock options, net of shares withheld for taxes and exercise price	1	—	29	—	30
Exercise of warrants, net of shares withheld for exercise price	—	—	2	—	2
Repurchases of common stock	—	(512)	—	—	(512)
Balances as of March 31, 2024	<u>\$ 123</u>	<u>\$ (79,911)</u>	<u>\$ 264,457</u>	<u>\$ 73,691</u>	<u>\$ 258,360</u>
	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Total
	(In thousands)				
Balances as of December 31, 2022	\$ 121	\$ (79,399)	\$ 252,464	\$ 189,440	\$ 362,626
Net income	—	—	—	134,650	134,650
Dividends declared (Note 5)	—	—	—	(98,093)	(98,093)
Stock-based compensation	—	—	1,408	—	1,408
Exercise of stock options, net of shares withheld for taxes and exercise price	—	—	(108)	—	(108)
Exercise of warrants, net of shares withheld for exercise price	—	—	192	—	192
Balances as of March 31, 2023	<u>\$ 121</u>	<u>\$ (79,399)</u>	<u>\$ 253,956</u>	<u>\$ 225,997</u>	<u>\$ 400,675</u>

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

**UNIT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	\$ 16,104	\$ 134,650
Adjustments to reconcile net income operating activities:		
Depreciation, depletion and amortization	3,901	3,891
Gain on derivatives, net (Note 12)	—	(13,595)
Gain on on derivatives settled (Note 12)	—	2,601
Deferred tax expense (benefit) (Note 17)	4,902	(74,836)
(Gain) loss on disposition of assets (Note 4)	65	(3,753)
Stock-based compensation plans (Note 6)	871	1,408
Change in credit loss reserve	197	62
ARO liability accretion (Note 10)	201	467
Contract assets and liabilities, net (Note 3)	(4)	816
Noncash reorganization items	—	(70)
Other, net	(2,267)	(226)
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	5,747	8,569
Prepaid expenses and other	1,126	1,061
Accounts payable	(4,446)	(1,058)
Accrued liabilities	(7,208)	(2,587)
Net change in operating assets and liabilities	(4,781)	5,985
Net cash provided by operating activities	19,189	57,400
INVESTING ACTIVITIES:		
Capital expenditures	(3,442)	(8,886)
Proceeds from disposition of property and equipment (Note 4)	1,853	4,797
Net cash used in investing activities	(1,589)	(4,089)
FINANCING ACTIVITIES:		
Dividend and dividend equivalent payments (Note 5)	(12,300)	(96,458)
Payments for employee taxes on net settlement of equity awards (Note 6)	29	(108)
Proceeds from exercise of warrants (Note 5)	3	192
Repurchases of common stock (Note 5)	(512)	—
Net cash used in financing activities	(12,780)	(96,374)
Net increase (decrease) in cash and cash equivalents	4,820	(43,063)
Cash and cash equivalents, beginning of period	60,779	213,975
Cash and cash equivalents, end of period	\$ 65,599	\$ 170,912

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

**UNIT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - CONTINUED**

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Supplemental disclosure of cash flow information:		
Cash paid (received) for:		
Interest	\$ 42	\$ 39
Changes in accounts payable and accrued liabilities related to purchases of property and equipment	(512)	(7,134)
Changes in accrued liabilities related to dividends declared, but not yet paid	(39)	1,636
Non-cash (additions) reductions to oil and natural gas properties related to asset retirement obligation additions and estimate revisions	433	(271)
Non-cash (additions) reductions to oil and natural gas properties related to net changes in asset retirement obligations, accounts receivable, accounts payable, and accrued liabilities resulting from divestitures	—	14

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

**UNIT CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND BUSINESS**

Unless the context clearly indicates otherwise, references in this report to “Unit”, “Company”, “we”, “our”, “us”, or like terms refer to Unit Corporation or, as appropriate, one or more of its subsidiaries. References to “Superior” refer to our 50% ownership interest in Superior Pipeline Company, L.L.C. which we sold on April 24, 2023 as discussed in Note 15 - Superior Investment.

We are primarily engaged in the development, acquisition, and production of oil and natural gas properties as well as onshore contract drilling of natural gas and oil wells. Our operations are all located in the United States and are organized as the following two reporting segments:

*Oil and Natural Gas.* Carried out by our subsidiary, Unit Petroleum Company (UPC), we develop, acquire, and produce oil and natural gas properties for our own account. Our producing oil and natural gas properties, unproved properties, and related assets are primarily located in Oklahoma and Texas.

*Contract Drilling.* Carried out by our subsidiary, Unit Drilling Company (UDC), we drill onshore oil and natural gas wells for a wide range of other oil and natural gas companies. Our drilling operations are primarily located in Oklahoma, Texas, and New Mexico.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

These interim financial statements are and have been prepared pursuant to the Alternative Reporting Standard: OTCQX U.S. and OTCQB Disclosure Guidelines offered by the OTC Markets Group. Certain disclosures have been condensed or omitted from these financial statements. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States (GAAP) for complete consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included in the Company’s Annual Report filed with the OTC Markets Group on March 14, 2024.

In the opinion of management, the unaudited condensed consolidated financial statements are fairly stated and contain all normal recurring adjustments (including the elimination of all intercompany transactions). Our financial statement amounts are prepared in conformity with GAAP, which requires us to make certain estimates and assumptions that may affect the amounts reported in our unaudited condensed consolidated financial statements and notes. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results. The Company evaluates subsequent events through the date the financial statements are issued.

The unaudited condensed consolidated financial statements include the accounts of Unit Corporation and its subsidiaries. All intercompany transactions and accounts between consolidated entities have been eliminated.

**NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

Our revenue streams are reported under two segments: oil and natural gas and contract drilling which is consistent with how we report our segment revenue in Note 19 – Industry Segment Information. Revenue from the oil and natural gas segment is from sales of our oil and natural gas production. Revenue from the contract drilling segment comes from contracting with upstream companies to drill an agreed-on number of wells or provide drilling rigs and services over an agreed-on period.

*Oil and Natural Gas Revenue*

Typical types of revenue contracts entered into by our oil and gas segment are oil sales contracts, North American Energy Standards Board (NAESB) Contracts, gas gathering and processing agreements, and revenues earned as the non-operated party with the operator serving as an agent on our behalf under joint operating agreements. Consideration received is variable and settled monthly while contract terms can range from a single month or evergreen to terms of a decade or more. Revenues from oil and natural gas sales are recognized when the customer obtains control of the sold product which typically occurs at the point of delivery to the customer.

Certain costs, as either a deduction from revenue or as an expense, are determined based on when control of the commodity is transferred to our customer, which would affect our total revenue recognized, but will not affect gross profit. For example, gathering, processing and transportation costs that are included as part of the contract price with the customer on transfer of control of the commodity are included in the transaction price, while costs that are incurred while we are in control of the commodity represent operating costs.

### *Contract Drilling Revenue*

Contract drilling revenues and expenses are primarily recognized as services are performed and collection is reasonably assured. Payments for mobilization and demobilization activities do not relate to a distinct good or service within the contract and are deferred for ratable recognition when material. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred and any reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs.

Most of our drilling contracts have a term of one year or less and the remaining performance obligations under the contracts without a fixed term are not material.

### *Contract Assets and Liabilities*

The table below presents the changes in our contract asset and contract liability balances as of the dates indicated:

Classification on the consolidated balance sheets		March 31, 2024	December 31, 2023	Change
(In thousands)				
Assets				
Current contract assets	Prepaid expenses and other	\$ —	\$ —	\$ —
Non-current contract assets	Other assets	—	—	—
Total contract assets		\$ —	\$ —	\$ —
Liabilities				
Current contract liabilities	Current portion of other long-term liabilities	\$ 16	\$ 16	\$ —
Non-current contract liabilities	Other long-term liabilities	156	160	(4)
Total contract liabilities		\$ 172	\$ 176	\$ (4)
Contract assets (liabilities), net		\$ (172)	\$ (176)	\$ 4

## **NOTE 4 – DISPOSITION OF PROPERTY AND EQUIPMENT**

### *Oil and Natural Gas*

On December 13, 2023, the Company closed on the sale of certain non-core wells and related leases in the Texas Panhandle for cash proceeds of \$50.0 million, subject to customary post-closing adjustments based on an effective date of October 1, 2023. The sale represented a significant alteration to the full cost pool as reserves in excess of 25% were divested. To determine the gain, the Company allocated the net book value of the full cost pool based on the relative fair value of the properties retained versus those divested.

Net proceeds for the sale of other non-core oil and natural gas assets totaled \$0.6 million and \$0.7 million during the three months ended March 31, 2024 and 2023, respectively. These proceeds reduced the net book value of our full cost pool with no gain or loss recognized as the sales did not result in a significant alteration of the full cost pool.

### *Contract Drilling*

On May 18, 2023, the Company closed on the sale of two older generation SCR rigs and certain related equipment for total proceeds of \$5.8 million. Cash proceeds of \$5.0 million were received at closing and deferred cash proceeds of \$0.8 million were received on January 25, 2024.

Proceeds for the sale of other non-core contract drilling assets totaled \$0.5 million and \$4.2 million during the three months ended March 31, 2024 and 2023, respectively. These proceeds resulted in net gains of \$0.1 million and net gains of \$3.7 million during the three months ended March 31, 2024 and 2023, respectively.

## NOTE 5 – SHAREHOLDERS' EQUITY AND DIVIDENDS

### *Common Stock*

On September 3, 2020 (Emergence Date), the Company emerged from Chapter 11 bankruptcy and authorized the issuance of a total of 12.0 million shares of common stock at a par value of \$0.01 per share (New Common Stock) to be subsequently distributed in accordance with the Chapter 11 plan of reorganization filed with the bankruptcy court on June 9, 2020 (as amended, supplemented and modified from time to time, the “Plan”). On February 21, 2023, a final decree was approved to close the remaining Chapter 11 case and grant related relief. As a result, any shares of common stock not yet claimed were deemed unclaimed property and have been treated as reductions to the number of shares of common stock issued and outstanding as of February 21, 2023.

All shares of New Common Stock are subject to the transfer restrictions in the Company’s Amended and Restated Certificate of Incorporation (Charter). Article XIV of the Charter provides that, subject to the exceptions provided in Article XIV, any attempted transfer of the Company's common stock will be prohibited and void ab initio if (i) because of the transfer, any person becomes a Substantial Stockholder (as defined below) other than by reason of Treasury Regulations section 1.382-2T(j)(3) or (ii) the Percentage Stock Ownership (as defined in the Charter) interest of any Substantial Stockholder will be increased. A “Substantial Stockholder” means a person with a Percentage Stock Ownership of 4.75% or more.

### *Common Stock Repurchases*

During the first quarter of 2024, we repurchased 14,240 shares under the repurchase program at an average share price of \$36.03 for an aggregate purchase price of \$0.5 million.

As of March 31, 2024, we had repurchased a total of 2,486,632 shares of common stock at an average share price of \$32.11 (unadjusted for dividends paid) for an aggregate purchase cost of \$79.9 million through private and open market transactions made under the repurchase program authorized by the Board of Directors in June 2021, and other privately negotiated transactions. The purchase cost and any direct acquisition costs are reflected as treasury stock on the consolidated balance sheets.

The remaining value of shares that may yet be purchased under the repurchase program authorization was \$30.6 million as of March 31, 2024. The repurchases may be made through open market purchases, privately negotiated transactions, or other available means. The Company has no obligation to repurchase any shares under the repurchase program and may suspend or discontinue it at any time without prior notice.

### *Dividends*

The table below presents information about the dividends paid during the periods indicated:

	Type	Dividend per share	Total Amount	Record Date	Payment Date
<b>2023</b>			(In thousands)		
First quarter	Special	\$ 10.00	\$ 96,179	January 20, 2023	January 31, 2023
<b>2024</b>					
First quarter	Quarterly	\$ 1.25	\$ 12,269	March 18, 2024	March 28, 2024

The declaration and payment of any future dividend, whether fixed, special, or variable, will remain at the full discretion of the Company’s Board of Directors and will depend upon the Company’s financial position, results of operations, cash flows, capital requirements, business conditions, future expectations, the requirements of applicable law, and other factors that the Company’s Board of Directors finds relevant at the time of considering any potential dividend declaration. Future dividends are expected to be funded by cash on the Company's balance sheet.

We have accrued liabilities for dividend equivalent payments to be made upon the vesting of restricted stock units outstanding as of the dividend record date, but not yet vested.

## Warrants

Each holder of Unit common stock outstanding (Old Common Stock) before the Emergence Date that did not opt out of the release under the Plan is entitled to receive 0.03460447 warrants for every share of Old Common Stock owned. Each warrant is exercisable for one share of common stock, subject to adjustment as provided in the Warrant Agreement. The warrants expire on the earliest of (i) September 3, 2027, (ii) consummation of a Cash Sale (as defined in the Warrant Agreement), or (iii) the consummation of a liquidation, dissolution or winding up of the Company.

As of March 31, 2024, the Company had authorized 1,843,318 warrants of which 98,895 had been exercised or canceled.

Among other provisions, the Warrant Agreement outlines potential adjustments to the warrants if certain events occur, including (i) stock dividends payable in shares of common stock or stock splits, (ii) reverse stock splits or similar combination events, (iii) Liquidity Events (as defined in the Warrant Agreement), and (iv) other events not explicitly contemplated which may have an adverse impact to the intent and purpose of the warrants as set forth in the Plan, provided, however, the warrants will not be adjusted for (a) any issuances of securities in connection with a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination, (b) the issuance of any securities by Unit on or after September 3, 2020 (the "Effective Date") pursuant to the Plan or upon the issuance of shares of common stock upon the exercise of such securities, (c) the issuance of any shares of common stock pursuant to the exercise of the warrants, (d) the issuance of shares of common stock pursuant to any management stock option incentive or similar plan, (e) a dividend or distribution to holders of common stock of cash, property, or securities (other than common stock), and/or (f) any change in the par value of the common stock.

Pursuant to the terms of the Warrant Agreement, the Company determined the initial exercise price of the warrants to be \$63.74. On April 7, 2022, the Company delivered notice of the initial exercise price to the Warrant Agent and the warrants became exercisable for shares of the Company's common stock. On or about April 25, 2022, the warrants began trading over-the-counter under the symbol "UNTCW". On March 31, 2023, the warrants began trading on the OTCQX Best Market.

See Note 16 - Commitments and Contingencies for recent litigation related to the warrants.

## NOTE 6 – STOCK-BASED COMPENSATION

*Unit Corporation Long Term Incentive Plan.* On the Effective Date, the Board adopted the Unit Corporation Long Term Incentive Plan (LTIP) to incentivize employees, officers, directors and other service providers of the Company and its affiliates. The LTIP is administered by the Compensation Committee and provides for the grant, from time to time, at the discretion of the Board or a committee thereof, of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, cash awards, performance awards, substitute awards or any combination of the foregoing. Subject to adjustment in the event of certain transactions or changes of capitalization in accordance with the LTIP, 903,226 shares of New Common Stock were reserved for issuance pursuant to awards under the LTIP. New Common Stock subject to an award that expires or is canceled, forfeited, exchanged, settled in cash, or otherwise terminated without delivery of shares and shares withheld to pay the exercise price of, or to satisfy the withholding obligations with respect to, an award will again be available for delivery pursuant to other awards under the LTIP.

The following table presents the stock-based compensation expense activity recognized during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Recognized stock compensation expense	\$ 871	\$ 1,408
Tax benefit on stock-based compensation	\$ 205	\$ 331

The table below summarizes activity pertaining to outstanding RSUs during the periods indicated:

	Three Months Ended March 31,			
	2024		2023	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested RSUs, beginning of period	91,635	\$ 31.24	170,313	\$ 27.15
Granted	—	—	—	—
Vested	—	30.50	(6,359)	33.57
Forfeited	—	—	(15,059)	34.00
Nonvested RSUs, end of period <sup>(1)</sup>	91,635	\$ 31.25	148,895	\$ 26.18

1. The aggregate compensation cost related to nonvested RSUs not yet recognized as of March 31, 2024 was \$1.6 million with a weighted average remaining service period of 0.7 years.

The table below summarizes activity pertaining to outstanding stock options during the periods indicated:

	Three Months Ended March 31,			
	2024		2023	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding stock options, beginning of period	215,298	\$ 7.50	319,166	\$ 45.00
Granted	—	—	—	—
Exercised	(13,073)	7.50	(18,093)	45.00
Forfeited or expired	—	—	(29,373)	35.00
Outstanding stock options, end of period <sup>(1)</sup>	202,225	\$ 7.50	271,700	\$ 35.00
Exercisable stock options, end of period <sup>(2)</sup>	140,492	\$ 7.50	84,460	\$ 35.00

1. Stock options outstanding as of March 31, 2024 had a weighted average remaining contractual term of 2.41 years and an aggregate intrinsic value of \$6.0 million. The aggregate compensation cost related to outstanding options not yet recognized as of March 31, 2024 was \$1.1 million with a weighted average remaining service period of 0.5 years.
2. Stock options exercisable as of March 31, 2024 had a weighted average remaining contractual term of 2.34 years and an aggregate intrinsic value of \$3.8 million.

## NOTE 7 – EARNINGS PER SHARE

The table below presents the calculation of earnings per share attributable to Unit Corporation using the treasury stock method during the periods indicated:

	Earnings (Numerator)	Weighted Shares (Denominator)	Per-Share Amount
(In thousands except per share amounts)			
Three months ended March 31, 2024			
Basic earnings per common share	\$ 16,104	9,824	\$ 1.64
Effect of dilutive restricted stock units and stock options <sup>(1)</sup>	—	179	(0.03)
Diluted earnings per common share	\$ 16,104	10,003	\$ 1.61
Three months ended March 31, 2023			
Basic earnings per common share	\$ 134,650	9,667	\$ 13.93
Effect of dilutive restrictive stock units and stock options <sup>(2)</sup>	—	128	(0.18)
Diluted earnings per common share	\$ 134,650	9,795	\$ 13.75

1. The diluted earnings per share calculation for the three months ended March 31, 2024 excludes the effects related to 1,721,596 average warrants with a \$63.74 exercise price because their inclusion would be antidilutive.
2. The diluted earnings per share calculation for the three months ended March 31, 2023 excludes the effects related to 1,815,410 average warrants with a \$63.74 exercise price because their inclusion would be antidilutive.



## NOTE 8 – ACCRUED LIABILITIES

The table below presents the components of accrued liabilities as of the dates indicated:

	March 31, 2024	December 31, 2023
	(In thousands)	
Employee costs	\$ 3,708	\$ 10,088
Lease operating expenses	1,850	2,453
Capital expenditures	1,445	653
Taxes	2,483	2,152
Interest	30	43
Other	788	1,332
Total accrued liabilities	<u>\$ 10,304</u>	<u>\$ 16,721</u>

## NOTE 9 – LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

### Long-Term Debt

The table below presents the individual components of long-term debt as of the dates indicated:

	March 31, 2024	December 31, 2023
	(In thousands)	
Long-term debt:		
Second Credit Agreement	\$ —	\$ —

*Second Amended and Restated Credit Agreement.* On March 8, 2024, the Company entered into the Second Amended and Restated Credit Agreement, dated as of March 8, 2024 and effective as of March 1, 2024. This agreement replaces the Exit Credit Agreement, which was set to mature on March 1, 2024. The Second Credit Agreement provides a \$10.0 million initial borrowing base, subject to semi-annual redetermination, with BOKF, NA dba Bank of Oklahoma (BOKF). The Second Credit Agreement matures on March 8, 2027 and is collateralized by the Company's BOSS rigs and upstream properties.

The Second Credit Agreement requires the Company to comply with certain financial ratios, including: the Net Leverage Ratio (as defined in the Second Credit Agreement) as of the last day of any fiscal quarter can not be greater than 3.00 to 1.00 and the Current Ratio to be less than 1.00 to 1.00. The Second Credit Agreement also contains provisions, among others, that require the Company to provide quarterly financial statements within 45 days after the end of each of the first three quarters of each fiscal year and annual audited financial statements within 90 days after the end of each fiscal year. As of March 31, 2024, the Company was in compliance with these covenants.

As of March 31, 2024, we had no borrowings and \$1.2 million of letters of credit outstanding under the Second Credit Agreement.

*Exit Credit Agreement.* On the Emergence Date, the Company entered into an amended and restated credit agreement (the Exit Credit Agreement), provided for a \$140.0 million senior secured revolving credit facility (RBL Facility) and a \$40.0 million senior secured term loan facility, among (i) the Company, UDC, and UPC (together, the Borrowers), (ii) the guarantors party thereto, including the Company and all of its subsidiaries existing as of the Effective Date (other than Superior and its subsidiaries), (iii) the lenders party thereto from time to time (Emergence Lenders), and (iv) BOKF, NA dba Bank of Oklahoma as administrative agent and collateral agent (in such capacity, the Administrative Agent). The maturity date of borrowings under the Exit Credit Agreement was March 1, 2024. The Exit Credit Agreement was secured by first-priority liens on substantially all of the personal and real property assets of the Borrowers and the Guarantors, including the Company's ownership interests in Superior.

Since the Emergence Date, the Company and the Lenders have had various amendments that reduced the borrowing base of the Exit Credit Agreement. As of December 31, 2023, the Exit Credit Agreement had a borrowing base of \$35.0 million.

The Exit Credit Agreement required the Company to comply with certain financial ratios, including: the Net Leverage Ratio (as defined in the Exit Credit Agreement) as of the last day of any fiscal quarter could not be greater than 3.25 to 1.00, the Current Ratio (as defined in the Exit Credit Agreement) as of the last day of any fiscal quarter could not be less than 1.00 to 1.00, and the Interest Coverage Ratio (as defined in the Exit Credit Agreement) as of the last day of any fiscal quarter could not be less than 2.50 to 1.00. The Exit Credit Agreement also contained provisions, among others, that limit certain capital expenditures, and required certain hedging activities. The Exit Credit Agreement further required the Company to provide quarterly financial statements within 45 days after the end of each of the first three quarters of each fiscal year and annual financial statements within 90 days after the end of each fiscal year.

### *Other Long-Term Liabilities*

The table below presents the components of other long-term liabilities as of the dates indicated:

	March 31, 2024	December 31, 2023
	(In thousands)	
Asset retirement obligation (ARO) liability	\$ 10,669	\$ 10,901
Workers' compensation	8,059	8,296
Contract liability	172	176
Separation benefit plans	976	1,009
Gas balancing liability	3,015	3,015
Dividend equivalents liability	3,613	3,651
	26,504	27,048
Less: current portion	3,708	4,245
Total other long-term liabilities	<u>\$ 22,796</u>	<u>\$ 22,803</u>

### **NOTE 10 – ASSET RETIREMENT OBLIGATIONS**

We are required to record the estimated fair value of the liabilities relating to the future retirement of our long-lived assets. Our oil and natural gas wells are plugged and abandoned when the oil and natural gas reserves in those wells are depleted or the wells are no longer able to produce. The plugging and abandonment liability for a well is recorded when the well is drilled or acquired and the obligation is incurred. None of our assets are restricted for purposes of settling these AROs. All our AROs relate to the plugging costs associated with our oil and gas wells.

The following table presents activity for our estimated AROs during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
ARO liability, beginning of period	\$ 10,901	\$ 23,440
Accretion of discount	201	467
Liability incurred	—	10
Liability settled	(5)	(245)
Liability sold	—	(14)
Revision of estimates	(428)	261
ARO liability, end of period	10,669	23,919
Less: current portion	196	2,631
Long-term ARO liability	<u>\$ 10,473</u>	<u>\$ 21,288</u>

## NOTE 11 – WORKERS' COMPENSATION

We are liable for workers' compensation benefits for traumatic injuries through our self-insured program to provide income replacement and medical treatment for work-related traumatic injury claims as required by applicable state laws. Workers' compensation laws also compensate survivors of workers who suffer employment related deaths. Our liability for traumatic injury claims is the estimated present value of current workers' compensation benefits, based on our actuarial estimates. Our actuarial calculations are based on a blend of actuarial projection methods and numerous assumptions including claim development patterns, mortality, medical costs and interest rates.

The following table presents activity for our workers' compensation liability during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Workers' compensation liability, beginning of period	\$ 8,296	\$ 8,344
Claims and valuation adjustments	(115)	(58)
Payments	(122)	(174)
Workers' compensation liability, end of period	8,059	8,112
Less: current portion	1,002	1,046
Long-term workers' compensation liability	<u>\$ 7,057</u>	<u>\$ 7,066</u>

Our workers' compensation liability above is presented on a gross basis and does not include our expected receivables on our insurance policy. Our receivables for traumatic injury claims under these policies as of March 31, 2024 and December 31, 2023 were \$5.1 million and \$5.1 million, respectively, and are included in other assets on our consolidated balance sheets.

## NOTE 12 – DERIVATIVES

### *Commodity Derivatives*

We have entered into various types of derivative transactions covering some of our projected natural gas, NGLs, and oil production. These transactions are intended to reduce our exposure to market price volatility by setting the price(s) we will receive for that production. Our decisions on the price(s), type, and quantity of our production subject to a derivative contract are based, in part, on our view of current and future market conditions. Our commodity derivative transactions consisted of the following types of hedges as of March 31, 2023:

- *Basis/Differential Swaps.* We receive or pay the NYMEX settlement value plus or minus a fixed delivery point price for the commodity and pay or receive the published index price at the specified delivery point. We use basis/differential swaps to hedge the price risk between NYMEX and its physical delivery points.
- *Swaps.* We receive or pay a fixed price for the commodity and pay or receive a floating market price to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.
- *Collars.* A collar contains a fixed floor price (put) and a ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, we receive the fixed price and pay the market price. If the market price is between the call and the put strike price, no payments are due from either party.

We do not engage in derivative transactions for speculative purposes. We are not required to post any cash collateral with our counterparties and no collateral has been posted as of March 31, 2024.

There were no commodity derivatives outstanding as of March 31, 2024.

The following table shows the activity related to derivative instruments in the consolidated statements of operations for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Gain on derivatives, net	\$ —	\$ 13,595
Gain on commodity derivatives settled	—	2,601
Gain on derivatives, net of commodity derivatives settled	\$ —	\$ 10,994

### NOTE 13 – FAIR VALUE MEASUREMENTS

This disclosure of the estimated fair value of financial instruments is made under accounting guidance for financial instruments. We have determined the estimated fair values by using market information and certain valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Using different market assumptions or valuation methodologies may have a material effect on our estimated fair value amounts.

The inputs available determine the valuation technique that we use to measure the fair value of the assets and liabilities presented in our unaudited condensed consolidated financial statements. Fair value measurements are categorized into one of three different levels depending on the observability of the inputs used in the measurement. The levels are summarized as follows:

- Level 1—observable inputs such as quoted prices in active markets for identical assets and liabilities.
- Level 2—other observable pricing inputs, such as quoted prices in inactive markets, or other inputs that are either directly or indirectly observable as of the reporting date, including inputs that are derived from or corroborated by observable market data.
- Level 3—generally unobservable inputs which are developed based on the best information available and may include our own internal data or estimates about how market participants would value such assets and liabilities.

*Commodity Derivatives.* We measure the fair values of our crude oil and natural gas swaps and collars using estimated discounted cash flow calculations based on the NYMEX futures index. We consider these Level 2 measurements within the fair value hierarchy as the inputs in the model are substantially observable over the term of the commodity derivative contract and there is a wide availability of quoted market prices for similar commodity derivative contracts.

There were no Level 3 fair value measurements during three months ended March 31, 2024 or three months ended March 31, 2023.

#### *Nonrecurring Fair Value Measurements*

*ARO.* The initial measurement of ARO at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with property and equipment. Significant Level 3 inputs used in the calculation of AROs include plugging costs and remaining reserve lives. A summary of the Company's ARO activity is presented in Note 10 – Asset Retirement Obligations.

*Stock-Based Compensation.* We use the Black-Scholes option pricing model to estimate the fair value of stock option grants and modifications while the value of our restricted stock unit grants is based on the grant date closing stock price. Key assumptions for the Black-Scholes models include the stock price, exercise price, expected term, risk-free rate, volatility, and dividend yield. We consider this a Level 3 measurement within the fair value hierarchy as estimated volatility is generally unobservable and requires management's estimation.

## NOTE 14 – LEASES

*Operating Leases.* We are a lessee through noncancellable lease agreements for property and equipment consisting primarily of office space, land, vehicles, and equipment used in both our operations and administrative functions.

The following table presents the maturities, weighted average remaining lease term, and weighted average discount rate of our operating lease liabilities as of March 31, 2024:

	Amount (In thousands)
Ending March 31,	
2025	\$ 2,632
2026	2,417
2027	954
2028	—
2029	—
2030 and beyond	—
Total future payments	6,003
Less: Interest	487
Present value of future minimum operating lease payments	5,516
Less: Current portion	2,310
Total long-term operating lease payments	\$ 3,206
Weighted average remaining lease term (years)	2.4
Weighted average discount rate <sup>(1)</sup>	7.37 %

1. Our weighted average discount rates represent the rate implicit in the lease or our incremental borrowing rate for a term equal to the remaining term of the lease.

The following table presents our operating lease assets and liabilities as of the dates indicated:

	Classification on the consolidated balance sheets	March 31, 2024	December 31, 2023
		(In thousands)	
Assets			
Operating lease right of use assets	Right of use assets	\$ 5,400	\$ 5,262
Total right of use assets		<u>\$ 5,400</u>	<u>\$ 5,262</u>
Liabilities			
Current liabilities:			
Operating lease liabilities	Current operating lease liabilities	\$ 2,310	\$ 1,985
Non-current liabilities:			
Operating lease liabilities	Operating lease liabilities	3,206	3,392
Total lease liabilities		<u>\$ 5,516</u>	<u>\$ 5,377</u>

The following table presents the components of total lease costs for operating leases during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Components of total lease cost:		
Short-term lease cost <sup>(1)</sup>	\$ 1,268	\$ 2,181
Operating lease cost	697	920
Total lease cost	<u>\$ 1,965</u>	<u>\$ 3,101</u>

1. Short-term lease cost includes amounts capitalized related to our oil and natural gas segment of \$0.6 million during the three months ended March 31, 2023. There were no amounts capitalized to our oil and natural gas segment in the three months ended March 31, 2024.

The following table presents supplemental cash flow information related to our operating leases during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Cash payments made on operating leases	\$ 694	\$ 920
Lease liabilities recognized in exchange for operating lease right of use assets	\$ 725	\$ 3,273

## NOTE 15 – SUPERIOR INVESTMENT

*Sale Event.* On April 24, 2023 (the "Superior Sale Date"), we entered into a purchase and sale agreement (the "Superior PSA") with SP Investor under which the Company sold its 50% ownership interest in Superior for \$20.0 million. Unit received proceeds of \$12.0 million at closing and the remaining proceeds of \$8.0 million were received on April 23, 2024. The \$8.0 million of remaining proceeds is included in notes receivable on the unaudited condensed consolidated balance sheets.

*Affiliate Activity.* The table below presents UPC's affiliate activity with Superior during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Oil and natural gas revenues <sup>(1)</sup>	\$ —	\$ 9,757
Oil and natural gas operating costs <sup>(1)</sup>	\$ —	\$ 528

1. Includes activity between UPC and Superior incurred during periods when Unit held its investment in Superior prior to the April 24, 2023 sale date.

## NOTE 16 – COMMITMENTS AND CONTINGENCIES

### *Environmental*

We manage our exposure to environmental liabilities on properties to be acquired by identifying existing problems and assessing the potential liability. We also conduct periodic reviews, on a company-wide basis, to identify changes in our environmental risk profile. These reviews evaluate whether there is a probable liability, its amount, and the likelihood that the liability will be incurred. Any potential liability is determined by considering, among other matters, incremental direct costs of any likely remediation and the proportionate cost of employees expected to devote significant time directly to any possible remediation effort. As it relates to evaluations of purchased properties, depending on the extent of an identified environmental problem, we may exclude a property from the acquisition, require the seller to remediate the property to our satisfaction, or agree to assume liability for the remediation of the property.

We have not historically experienced significant environmental liability while being a contract driller since the greatest portion of that risk is borne by the operator. Any liabilities we have incurred have been small and were resolved while the drilling rig was on the location. Those costs were in the direct cost of drilling the well.

## Litigation

The Company is subject to litigation and claims arising in the ordinary course of business which may include environmental, health and safety matters, commercial disputes with customers, or more routine employment related claims. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. As new information becomes available or because of legal or administrative rulings in similar matters or a change in applicable law, the Company's conclusions regarding the probability of outcomes and the amount of estimated loss, if any, may change. Although we are insured against various risks, there is no assurance that the nature and amount of that insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings.

On September 11, 2023, a group of plaintiffs filed an attempted class action lawsuit alleging that during the Company's Chapter 11 bankruptcy, it changed the anti-dilution language of the approved form of warrant agreement without seeking the court's approval under section 1127(b) of the Bankruptcy Code. The case was filed in the United States Federal District Court for the Western District of Oklahoma (WDOK). On December 20, 2023, the Company filed a motion in the U.S. Bankruptcy Court for the Southern District of Texas (the Court) asking it to enter an order that requires the plaintiffs to dismiss the lawsuit in the WDOK because the claims asserted therein are barred by releases granted by the plaintiffs pursuant to the confirmation order entered by the Court in connection with the Company's Chapter 11 Cases, and an injunction enjoining the plaintiffs from bringing any action subject to those releases. The motion is currently under consideration by the Court.

## NOTE 17 – INCOME TAXES

The following table presents a reconciliation between the income tax provision computed by applying the federal statutory rate to income before income taxes and our effective income tax expense (benefit) during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Income tax expense at statutory rate	\$ 4,427	\$ 12,556
State income tax expense, net of federal benefit	602	1,685
Change in valuation allowance	—	(94,728)
Revaluation of deferred tax assets and liabilities due to state income tax rate change	—	5,698
Other permanent items	(52)	143
Income tax expense (benefit)	<u>\$ 4,977</u>	<u>\$ (74,646)</u>

The Company reviews available positive and negative evidence to assess the need for a valuation allowance against the Company's deferred tax assets. On the basis of this assessment, a full valuation allowance was recorded against the Company's net deferred tax assets as of December 31, 2021 and December 31, 2022. The Company recorded pre-tax income attributable to Unit Corporation during 2022, and 2021, respectively with anticipated pre-tax income in 2023 as of March 31, 2023. After considering these positive results, the resulting significant three-year cumulative income position, and other available positive and negative evidence, the Company determined that it was more likely than not that a portion of the net deferred tax assets related to NOL carryforwards would be realized. Accordingly, the Company released a portion of its valuation allowance contributing to a \$94.7 million net change in the valuation allowance with a corresponding income tax benefit recorded in our condensed consolidated statements of operations as of March 31, 2023. The company did not recognize a change in the valuation allowance during the three months ended March 31, 2024.

Realizability of NOL carryforwards is dependent upon the Company's ability to produce future taxable income. Predicting future earnings is uncertain as commodity prices are volatile. As the Company continues to assess the realizability of NOL carryforwards going forward, changes in estimates of future taxable income could result in the need for a valuation allowance to be applied in future periods.

The following table presents the components of our deferred tax assets and liabilities as of the dates indicated:

	March 31, 2024	December 31, 2023
	(In thousands)	
Deferred tax assets:		
Allowance for losses and nondeductible accruals	\$ 6,967	\$ 6,967
Net operating loss carryforward <sup>(1)</sup>	55,420	57,290
Non-producing oil and natural gas properties	19,283	19,283
Producing oil and natural gas properties	—	76
General business credit carryforward	1,738	1,738
Gross deferred tax assets	83,408	85,354
Valuation allowance <sup>(2)</sup>	(26,250)	(26,250)
Total deferred tax assets	57,158	59,104
Deferred tax liabilities:		
Contract drilling and other equipment	(12,625)	(12,019)
Producing oil and natural gas properties	(2,350)	—
Total deferred tax liabilities	(14,975)	(12,019)
Deferred tax assets, net	<u>\$ 42,183</u>	<u>\$ 47,085</u>

- As of December 31, 2023 the Company had an expected federal net operating loss carryforward of \$243.8 million of which \$48.8 million is subject to expiration in 2037.
- The Company has retained a partial valuation allowance on its deferred tax assets as of March 31, 2024 primarily due to uncertainty in forecasting the timing of future tax benefit recognition related to certain non-producing oil and gas properties and allowance for losses and nondeductible accruals.

## NOTE 18 – TRANSACTIONS WITH RELATED PARTIES

One current director, Robert Anderson, also serves as an executive with GBK Corporation, a holding company with numerous energy and industry subsidiaries and affiliates, including Kaiser Francis Oil Company. The Company in the ordinary course of business, made payments for working interests, joint interest billings, and product purchases to, and received payments for working interests, and joint interest billings, from, Kaiser Francis Oil Company.

The table below presents the payment activity with this related party during the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
<b>Payments made to:</b>		
Kaiser Francis Oil Company	\$ 321	\$ 1,166
<b>Payments received from:</b>		
Kaiser Francis Oil Company	\$ 1,080	\$ 1,801

## NOTE 19 – INDUSTRY SEGMENT INFORMATION

We have two main business segments offering different products and services within the energy industry:

- Oil and natural gas* - the oil and natural gas segment is engaged in the acquisition, development, and production of oil, NGLs, and natural gas properties.
- Contract drilling* - the contract drilling segment is engaged in the land contract drilling of oil and natural gas wells.

We evaluate each consolidated segment's performance based on its operating income, which is defined as operating revenues less operating expenses and depreciation, depletion, amortization, and impairment. We have no oil and natural gas production or other operations outside the United States.



The following tables provide certain information about the operations of each of our segments:

	Three Months Ended March 31, 2024			
	Oil and Natural Gas	Contract Drilling	Corporate and Other	Total Consolidated
	(In thousands)			
<b>Revenues:</b> <sup>(1)</sup>				
Oil and natural gas	\$ 26,572	\$ —	\$ —	\$ 26,572
Contract drilling	—	40,632	—	40,632
Total revenues	26,572	40,632	—	67,204
<b>Expenses:</b>				
Operating costs:				
Oil and natural gas	11,979	—	—	11,979
Contract drilling	—	25,725	—	25,725
Total operating costs	11,979	25,725	—	37,704
Depreciation, depletion, and amortization	1,902	1,919	80	3,901
General and administrative	—	—	4,978	4,978
(Gain) loss on disposition of assets	141	(76)	—	65
Total operating expenses	14,022	27,568	5,058	46,648
Income (loss) from operations	12,550	13,064	(5,058)	20,556
Other income (expense):				
Interest income	—	—	954	954
Interest expense	—	—	(30)	(30)
Reorganization items, net	—	—	(22)	(22)
Other	9	344	(730)	(377)
Total other income (expense)	9	344	172	525
Income (loss) before income taxes	\$ 12,559	\$ 13,408	\$ (4,886)	\$ 21,081

- The revenues for oil and natural gas occur at a point in time and the revenues for contract drilling occur over time.

	Three Months Ended March 31, 2023			
	Oil and Natural Gas	Contract Drilling	Corporate and Other	Total Consolidated
	(In thousands)			
<b>Revenues:</b> <sup>(1)</sup>				
Oil and natural gas	\$ 48,026	\$ —	\$ —	\$ 48,026
Contract drilling	—	45,903	—	45,903
Total revenues	48,026	45,903	—	93,929
<b>Expenses:</b>				
Operating costs:				
Oil and natural gas	17,164	—	—	17,164
Contract drilling	—	26,872	—	26,872
Total operating costs	17,164	26,872	—	44,036
Depreciation, depletion, and amortization	2,136	1,659	96	3,891
General and administrative	—	—	5,090	5,090
Gain on disposition of assets	(97)	(3,656)	—	(3,753)
Total operating expenses	19,203	24,875	5,186	49,264
Income (loss) from operations	28,823	21,028	(5,186)	44,665
Other income (expense):				
Interest income	—	—	1,757	1,757
Interest expense	—	—	(39)	(39)
Gain on derivatives	—	—	13,595	13,595
Reorganization items, net	—	—	(81)	(81)
Other	(20)	125	2	107
Total other income (expense)	(20)	125	15,234	15,339
Income before income taxes	\$ 28,803	\$ 21,153	\$ 10,048	\$ 60,004

1. The revenues for oil and natural gas occur at a point in time and the revenues for contract drilling occur over time.

## **Item 4. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Introduction**

The following discussion should be read together with the condensed consolidated financial statements included in Item 3 of this report and in Part D of our 2023 annual report filed with the OTC Markets Group on March 14, 2024.

We operate, manage, and analyze the results of our operations through our two principal business segments:

- Oil and Natural Gas – carried out by our subsidiary Unit Petroleum Company. This segment explores, develops, acquires, and produces oil and natural gas properties for our own account.
- Contract Drilling – carried out by our subsidiary Unit Drilling Company. This segment contracts to drill onshore oil and natural gas wells for a wide range of other oil and natural gas companies.

#### *Oil and Natural Gas*

In our oil and natural gas segment, we are optimizing production and converting non-producing reserves to producing with selective drilling activities. We evaluate future hedging of our production opportunistically depending on future market pricing among other factors.

#### *Contract Drilling*

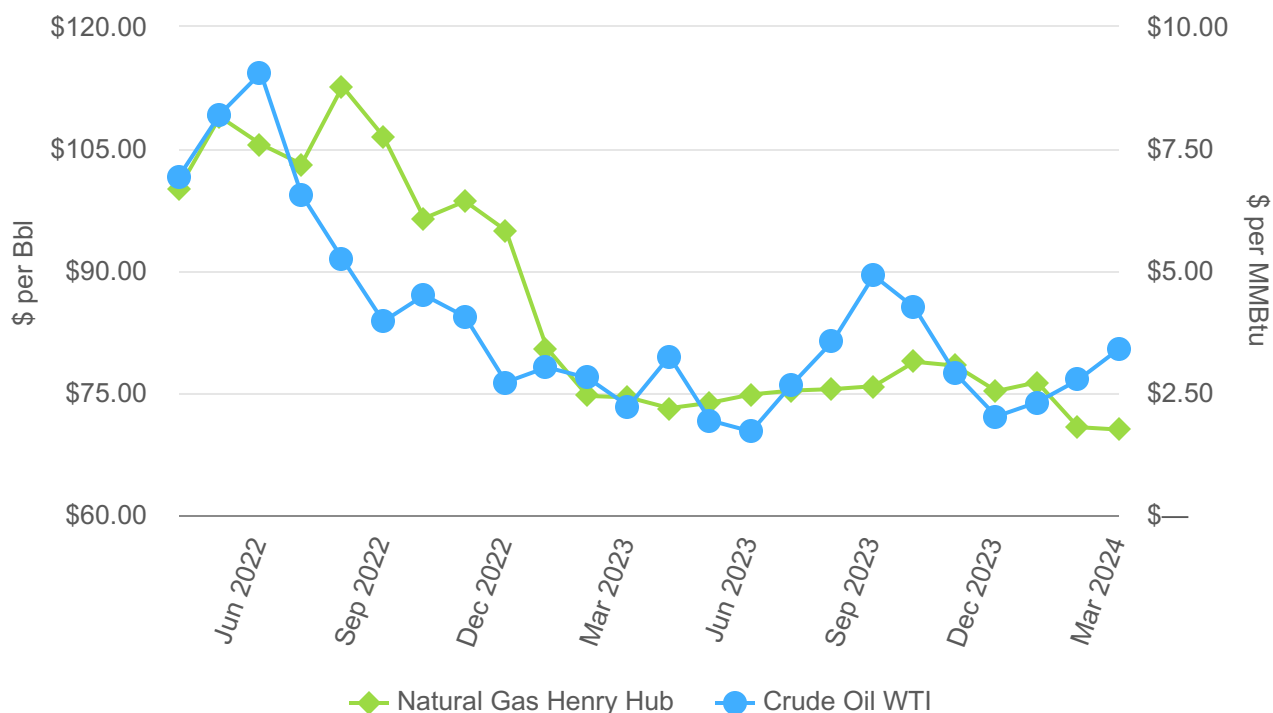
In our contract drilling segment, we are focused on maintaining utilization of our current fleet of 14 BOSS drilling rigs in a safe and efficient manner. Generally, the contract periods for our rigs range from 3 to 12 months, but can be less in certain instances. During the first quarter of 2024, all 14 of our BOSS rigs were contracted and operating with only minor periods of downtime. Subsequent to March 31, 2024, however, 2 of our BOSS rigs have been stacked due to current market conditions. We are actively pursuing new contract opportunities for these rigs, as well as the renewal of contracts for our other rigs, of which 6 were renewed during the first quarter.

### **Recent Developments**

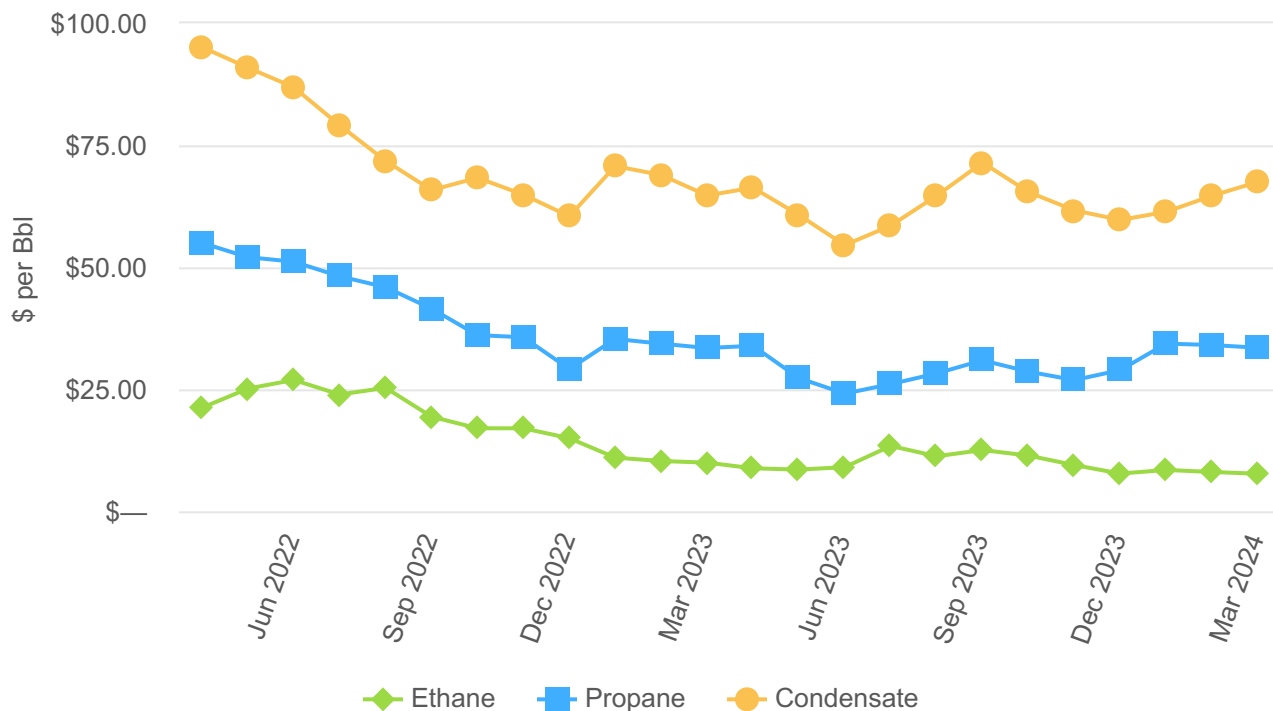
#### *Commodity Price Environment*

The prices we receive for our oil and natural gas production, the demand for oil, natural gas, and NGLs, and the demand for our drilling rigs, which influences the amounts we can charge for those drilling rigs, are all significant drivers of our results. While our operations are all within the United States, events outside the United States affect us and our industry, including political and economic uncertainty and geopolitical activity.

The pricing of oil, natural gas, and NGL experienced a decline in the second half of 2022 and continued into 2023. This downturn occurred as the market assessed that geopolitical events had no lasting impacts on supply and demand. Additionally, a mild winter in 2023 for the US and Europe contributed to maintaining natural gas storage at unprecedented levels, while US production showed a year-over-year increase. The following chart reflects the fluctuations in the historical prices for oil and natural gas:



The following chart reflects the fluctuations in the prices for NGLs<sup>(1)</sup>:



1. NGL prices reflect the monthly average Mont Belvieu price.

## Common Stock Dividends

The table below presents information about the dividends paid during the periods indicated:

	Type	Dividend per share	Total Amount	Record Date	Payment Date
<b>2023</b>	<b>(In thousands)</b>				
First quarter	Special	\$ 10.00	\$ 96,179	January 20, 2023	January 31, 2023
<b>2024</b>					
First quarter	Quarterly	\$ 1.25	\$ 12,269	March 18, 2024	March 28, 2024

The declaration and payment of any future dividend, whether fixed, special, or variable, will remain at the full discretion of the Company's Board of Directors and will depend upon the Company's financial position, results of operations, cash flows, capital requirements, business conditions, future expectations, the requirements of applicable law, and other factors that the Company's Board of Directors finds relevant at the time of considering any potential dividend declaration. Future dividends are expected to be funded by cash on the Company's balance sheet.

## Sale of Superior Investment

On April 24, 2023, we entered into a purchase and sale agreement (the "Superior PSA") with SP Investor under which the Company closed on the sale of its 50% ownership interest in Superior for \$20.0 million. Unit received proceeds of \$12.0 million at closing and the remaining proceeds of \$8.0 million were received on April 23, 2024.

## Financial Condition and Liquidity

### Summary

Our near-term and long-term financial condition and liquidity primarily depend on the cash flow from our operations and credit agreement borrowings. The principal factors determining our cash flow from operations are:

- the volume of natural gas, oil, and NGLs we produce;
- the prices we receive for our natural gas, oil, and NGLs production;
- the utilization of our drilling rigs; and
- the dayrates we receive for utilization of our drilling rigs.

We currently expect that cash and cash equivalents, cash generated from operations, and available funds under our credit facility will be adequate to support our working capital, capital expenditures, dividend distributions, discretionary stock repurchases, and other cash requirements for at least the next 12 months and we are not aware of any indications that they will not be adequate for the foreseeable periods thereafter.

The table below summarizes cash flow activity during the periods indicated:

	Three Months Ended March 31,		Percent Change
	2024	2023	
(In thousands except percentages)			
Net cash provided by operating activities	\$ 19,189	\$ 57,400	(67)%
Net cash used in investing activities	(1,589)	(4,089)	61 %
Net cash used in financing activities	(12,780)	(96,374)	87 %
Net increase (decrease) in cash and cash equivalents	\$ 4,820	\$ (43,063)	

#### *Cash Flows from Operating Activities*

Our operating cash flow is primarily influenced by the prices we receive for our oil, NGLs, and natural gas production, the volume of oil, NGLs, and natural gas we produce, settlements of commodity derivative contracts, third-party utilization of our drilling rigs, and the rates charged for those drilling services. Our cash flows from operating activities are also affected by changes in working capital.

Net cash provided by operating activities during the first three months of 2024 decreased by \$38.2 million as compared to the first three months of 2023 primarily due to decreased income from operations, unfavorable net changes in operating assets and liabilities, and unfavorable changes in derivative settlements.

#### *Cash Flows from Investing Activities*

We anticipate using a portion of our free cash flows for capital expenditures related to our development and production of oil, NGLs, and natural gas as well as the maintenance of our existing drilling rig fleet.

Net cash used in investing activities decreased by \$2.5 million during the first three months of 2024 compared to the first three months of 2023 primarily due to lower capital expenditures offset by lower proceeds from the disposition of property and equipment.

#### *Cash Flows from Financing Activities*

Net cash used in financing activities decreased by \$83.6 million during the first three months of 2024 compared to the first three months of 2023 primarily due to lower dividends paid.

As of March 31, 2024, we had unrestricted cash and cash equivalents totaling \$65.6 million and no outstanding borrowings under the Second Credit Agreement.

The following table summarizes certain financial condition and liquidity information as of the dates identified:

	March 31, 2024	March 31, 2023
	(In thousands)	
Working capital	\$ 85,507	\$ 173,362
Current portion of long-term debt	\$ —	\$ —
Long-term debt	\$ —	\$ —
Shareholders' equity attributable to Unit Corporation	\$ 258,360	\$ 400,675

#### *Working Capital*

Our working capital fluctuates due to the increase or decrease of our cash and cash equivalents and the timing of our trade accounts receivable and accounts payable. We had positive working capital of \$85.5 million as of March 31, 2024 compared to positive working capital of \$173.4 million as of March 31, 2023. The decrease in working capital is primarily due to lower cash and cash equivalents and lower accounts receivable, partially offset by lower commodity derivative liabilities and accounts payable.

## *Credit Agreement*

*Second Amended and Restated Credit Agreement.* On March 8, 2024, the Company entered into the Second Amended and Restated Credit Agreement (the Second Credit Agreement), dated as of March 8, 2024 and effective as of March 1, 2024. This agreement replaces the Exit Credit Agreement, which was set to mature on March 1, 2024. The Second Credit Agreement provides a \$10.0 million initial borrowing base, subject to semi-annual redetermination, with BOKF, NA dba Bank of Oklahoma (BOKF). The Second Credit Agreement matures on March 8, 2027 and is collateralized by the Company's BOSS rigs and upstream properties.

*Exit Credit Agreement.* On the Emergence Date, the Company entered into an amended and restated credit agreement (the Exit Credit Agreement), providing for a \$140.0 million senior secured revolving credit facility (RBL Facility) and a \$40.0 million senior secured term loan facility, among (i) the Company, UDC, and UPC (together, the Borrowers), (ii) the guarantors party thereto, including the Company and all of its subsidiaries existing as of the Emergence Date (other than Superior and its subsidiaries), (iii) the lenders party thereto from time to time (Emergence Lenders), and (iv) BOKF, NA dba Bank of Oklahoma as administrative agent and collateral agent (in such capacity, the Administrative Agent). The maturity date of borrowings under the Exit Credit Agreement was March 1, 2024. The Exit Credit Agreement was secured by first-priority liens on substantially all of the personal and real property assets of the Borrowers and the Guarantors, including the Company's ownership interests in Superior.

## *Capital Requirements*

*Oil and Natural Gas Segment Acquisitions, Capital Expenditures, and Dispositions.* Most of our capital expenditures for this segment are discretionary and directed toward growth. Our decisions to increase our oil, NGLs, and natural gas reserves through acquisitions or through drilling depends on the prevailing or expected market conditions, potential return on investment, future drilling potential, and opportunities to obtain financing, which provide us flexibility in deciding when and if to incur these costs. We participated in the completion of 4 gross wells (0.21 net wells) drilled by other operators during the first three months of 2024 compared to 8 gross wells (0.59 net wells) during the first three months of 2023.

Oil and natural gas segment capital expenditures, including oil and gas properties on the full cost method, during the first three months of 2024 totaled \$1.1 million, compared to \$1.2 million during the first three months of 2023.

On December 13, 2023, the Company closed on the sale of certain non-core wells and related leases in the Texas Panhandle for cash proceeds of \$50.0 million, subject to customary post-closing adjustments based on an effective date of October 1, 2023. The sale represented a significant alteration to the full cost pool as reserves in excess of 25% were divested. To determine the gain, the Company allocated the net book value of the full cost pool based on the relative fair value of the properties retained versus those divested.

Net proceeds for the sale of other non-core oil and natural gas assets totaled \$0.6 million and \$0.7 million during the three months ended March 31, 2024 and 2023, respectively. These proceeds reduced the net book value of our full cost pool with no gain or loss recognized as the sales did not result in a significant alteration of the full cost pool.

*Contract Drilling Segment Dispositions, Acquisitions, and Capital Expenditures.* Near term capital expenditures are primarily expected to be for maintenance capital on operating drilling rigs. Contract drilling capital expenditures totaled \$1.8 million during the first three months of 2024 compared to \$0.5 million during the first three months of 2023.

On May 18, 2023, the Company closed on the sale of two older generation SCR rigs and certain related equipment for total proceeds of \$5.8 million. Cash proceeds of \$5.0 million were received at closing and deferred cash proceeds of \$0.8 million were received on January 25, 2024.

Proceeds for the sale of other non-core contract drilling assets totaled \$0.5 million and \$4.2 million during the three months ended March 31, 2024 and 2023, respectively. These proceeds resulted in net gains of \$0.1 million and net gains of \$3.7 million during the three months ended March 31, 2024 and 2023, respectively.

## Derivative Activities

*Commodity Derivatives.* Our commodity derivatives are intended to reduce our exposure to price volatility and manage price risks. Those contracts limit the risk of downward price movements for commodities subject to derivative contracts, but they also limit increases in future revenues that would otherwise result from price movements above the contracted prices. Our decision on the type and quantity of our production and the price(s) of our derivative(s) is based, in part, on our view of current and future market conditions. There were no commodity derivatives outstanding as of March 31, 2024.

Below is the effect of derivative instruments on the condensed consolidated statements of operations for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Gain on derivatives, net	\$ —	\$ 13,595
Gain on commodity derivatives settled	—	2,601
Gain on derivatives, net of commodity derivatives settled	\$ —	\$ 10,994



## Results of Operations

### Three months ended March 31, 2024 versus three months ended March 31, 2023

Provided below is a comparison of selected operating and financial data:

	Three Months Ended March 31,			Percent Change <sup>(1)</sup>
	2024	2023	Change	
	(In thousands except rig and day amounts, and as otherwise specified)			
Total revenue, before inter-segment eliminations	\$ 67,204	\$ 93,929	\$ (26,725)	(28)%
Net income	\$ 16,104	\$ 134,650	\$ (118,546)	(88)%
<b>Oil and Natural Gas:</b>				
Revenue, before inter-segment eliminations	\$ 26,572	\$ 48,026	\$ (21,454)	(45)%
Operating costs, before inter-segment eliminations	\$ 11,979	\$ 17,164	\$ (5,185)	(30)%
Average oil price (\$/Bbl)	\$ 75.28	\$ 65.96	\$ 9.32	14 %
Average oil price excluding derivatives (\$/Bbl)	\$ 75.28	\$ 73.94	\$ 1.34	2 %
Average NGLs price (\$/Bbl)	\$ 20.74	\$ 21.37	\$ (0.63)	(3)%
Average NGLs price excluding derivatives (\$/Bbl)	\$ 20.74	\$ 21.37	\$ (0.63)	(3)%
Average natural gas price (\$/Mcf)	\$ 1.79	\$ 4.04	\$ (2.25)	(56)%
Average natural gas price excluding derivatives (\$/Mcf)	\$ 1.79	\$ 3.11	\$ (1.32)	(42)%
Oil production (MBbls)	187	300	(113)	(38)%
NGL production (MBbls)	298	419	(121)	(29)%
Natural gas production (MMcf)	3,501	5,369	(1,868)	(35)%
Total production (MBOE)	1,069	1,614	(546)	(34)%
<b>Contract Drilling:</b>				
Revenue, before inter-segment eliminations	\$ 40,632	\$ 45,903	\$ (5,271)	(11)%
Operating costs, before inter-segment eliminations	\$ 25,725	\$ 26,872	\$ (1,147)	(4)%
Total BOSS rigs available for use at the end of the period	14	14	—	— %
Total SCR rigs available for use at the end of the period	—	4	(4)	(100)%
Average number of BOSS rigs in use	13.7	13.8	(0.1)	(1)%
Average number of SCR rigs in use	—	3.0	(3.0)	(100)%
Average dayrate on daywork contracts (\$/day)	\$ 30,891	\$ 29,592	\$ 1,299	4 %
Average dayrate on daywork contracts - BOSS Rigs (\$/day)	\$ 30,891	\$ 30,845	\$ 46	— %
Average dayrate on daywork contracts - SCR Rigs (\$/day)	\$ —	\$ 24,056	\$ (24,056)	(100)%
<b>Corporate and Other:</b>				
General and administrative expense, before inter-segment eliminations	\$ 4,978	\$ 5,090	\$ (112)	(2)%
Other income (expense):				
Interest income	\$ 954	\$ 1,757	\$ (803)	(46)%
Interest expense	\$ (30)	\$ (39)	\$ 9	23 %
Reorganization items, net	\$ (22)	\$ (81)	\$ 59	73 %
Gain (loss) on derivatives	\$ —	\$ 13,595	\$ (13,595)	(100)%
Income tax (benefit) expense, net	\$ 4,977	\$ (74,646)	\$ 79,623	107 %

1. NM – A percentage calculation is not meaningful due to a zero-value denominator or a percentage change greater than 200.

### *Oil and Natural Gas*

Oil and natural gas revenues decreased \$21.5 million or 45% during the first quarter of 2024 as compared to the first quarter of 2023 primarily due to lower production volumes and lower natural gas price realization excluding derivatives. Oil production decreased 38%, natural gas production decreased 35%, and NGLs production decreased 29%. The decrease in volumes was primarily due to normal well production declines and the divestiture of producing properties in the Texas Panhandle, during the fourth quarter of 2023, which has not been offset by new drilling or acquisitions. Excluding derivatives settled, average oil prices increased 2% to \$75.28 per barrel, average natural gas prices decreased 42% to \$1.79 per Mcf, and NGLs prices decreased 3% to \$20.74 per barrel.

Oil and natural gas operating costs decreased \$5.2 million or 30% between the comparative first quarters of 2024 and 2023 primarily due to lower production taxes on lower revenues and lower lease operating expenses as a result of the Texas Panhandle divestiture in the fourth quarter of 2023.

### *Contract Drilling*

Drilling revenues decreased \$5.3 million or 11% during the first quarter of 2024 compared to the first quarter of 2023 primarily due to an 18% decrease in the average number of rigs in use to 13.7 during the first quarter of 2024, partially offset by a 4% increase to the average dayrates on daywork contracts. The decrease in average number of rigs in use was primarily driven by the sale and stack of our SCR rigs

Drilling operating costs decreased \$1.1 million or 4% between the comparative first quarters of 2024 and 2023 primarily due to the decrease in the average number of rigs in use and lower rig relocation expense, partially offset by higher employee compensation.

Total rigs available for use was reduced to our 14 BOSS drilling rigs as of June 30, 2023 reflecting the May 2023 sale of two older generation SCR rigs and the current market outlook for utilization of our remaining SCR rigs.

### *General and Administrative*

Corporate general and administrative expenses decreased \$0.1 million or 2% during the first quarter of 2024 compared to the first quarter of 2023. Excluding the service fee from Superior of \$0.9 million, that was received in the first quarter of 2023, general and administrative expenses decreased by \$0.8 million due to lower employee costs. As of December 31, 2023, we no longer receive the monthly service fee from Superior which were previously recorded as a reduction to general and administrative expense.

### *Interest Income*

Interest income decreased \$0.8 million during the first quarter of 2024 compared to the first quarter of 2023 primarily due to lower average cash equivalents held offset, in part, by higher average interest rates during the first quarter of 2024 compared to the first quarter of 2023.

### *Interest Expense*

Changes in interest expense between the comparative first quarters of 2024 and 2023 are primarily related to commitment fees paid on the unused portion of the Second credit facility. There were no borrowings outstanding on our credit facility during either of the comparative quarters.

### *Reorganization Items, Net*

Reorganization items, net represent any of the expenses, gains, and losses incurred subsequent to and as a direct result of the Chapter 11 proceedings.

### *Gain (Loss) on Derivatives*

The \$13.6 million unfavorable change in gain on derivatives between the comparative first quarters of 2024 and 2023 is primarily due to the absence of commodity derivative settlements. The Company had no outstanding commodity derivative positions during the three months ended March 31, 2024.

*Income Tax Expense, Net*

The \$79.6 million unfavorable change in income tax expense, net between the comparative first quarters of 2024 and 2023 is primarily due to the non-recurring income tax benefit realized in the first quarter of 2023 in conjunction with the release of a significant portion of the Company's valuation allowance.

**Item 5. Legal Proceedings**

For further information about outstanding legal proceedings, please see Item 3. Interim Financial Statements, Note 16 – Commitments and Contingencies.

**Item 6. Defaults Upon Senior Securities**

Not applicable.

**Item 7. Other Information**

Not applicable.

**Item 8. Exhibits**

Exhibits:

- |     |  |
|-----|--|
| 9.1 | <a href="#">Certification of Principal Executive Officer</a> |
| 9.2 | <a href="#">Certification of Principal Financial Officer</a> |

**Item 9. Certifications**

Current certifications are filed as Exhibits 9.1 and 9.2 to this Quarterly Report.

**Exhibit 9.1 Certification of Principal Executive Officer**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Phil Frohlich, Chief Executive Officer of Unit Corporation, certify that:

1. I have reviewed this Quarterly Report of Unit Corporation;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Phil Frohlich  
Phil Frohlich  
Chief Executive Officer

Date: May 9, 2024

**Exhibit 9.2 Certification of Principal Financial Officer**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Thomas D. Sell, Chief Financial Officer of Unit Corporation, certify that:

1. I have reviewed this Quarterly Report of Unit Corporation;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Thomas D. Sell  
Thomas D. Sell  
Chief Financial Officer

Date: May 9, 2024