Pomerantz Law Firm Announces the Filing of a Class Action Against Civitas Resources, Inc. and Certain Officers - CIVI

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NEW YORK, May 20, 2025 /PRNewswire/ -- Pomerantz LLP announces that a class action lawsuit has been filed against Civitas Resources Inc. ("Civitas" or the "Company") (NYSE: CIVI) and certain officers. The class action, filed in the United States District Court for the District of New Jersey, and docketed under 25-cv-03791, is on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired Civitas securities between February 27, 2024 and February 24, 2025, both dates inclusive (the "Class Period"), seeking to recover damages caused by Defendants' violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

If you are an investor who purchased or otherwise acquired Civitas securities during the Class Period, you have until July 1, 2025 to ask the Court to appoint you as Lead Plaintiff for the class. A copy of the Complaint can be obtained at www.pomerantzlaw.com. To discuss this action, contact Danielle Peyton at newaction@pomlaw.com or 646-581-9980 (or 888.4-POMLAW), toll-free, Ext. 7980. Those who inquire by e-mail are encouraged to include their mailing address, telephone number, and the number of shares purchased.

[Click here for information about joining the class action]

Civitas is an independent exploration and production company focused on the acquisition, development and production of crude oil and liquids-rich natural gas from its assets in the Denver-Julesburg ("DJ") Basin in Colorado and the Permian Basin in Texas and New Mexico. As of December 31, 2024, the Company owned a working interest in a net total of 530,200 acres.

Civitas recognizes revenue from the sale of produced crude oil, natural gas, and natural gas liquids. Accordingly, maintaining high volumes of oil production is critical to the Company's ability to achieve revenue growth.

Throughout 2024, Civitas maintained steady oil production and accelerated the number of the Company's turned-in-lines ("TILs")-i.e., newly drilled oil wells that have been designated as operational and added to the total number of wells in which Civitas owns a working interest-between the DJ and Permian Basins. However, unbeknownst to investors, oil production in the DJ Basin peaked in the fourth quarter of 2024 and, during the same period, Civitas began reducing the pace in which it turned in new lines.

The Complaint alleges that, throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Civitas was highly likely to significantly reduce its oil production in 2025 as a result of, inter alia, declines following the production peak at the DJ Basin in the fourth quarter of 2024 and a low TIL count at the end of 2024; (ii) increasing its oil production would require the Company to acquire additional acreage and development locations, thereby incurring significant debt and causing the Company to sell corporate assets to offset its acquisition costs; (iii) the Company's financial condition would require it to implement disruptive cost-reduction measures including a significant workforce reduction; (iv) accordingly, Civitas's business and/or financial prospects, as well as its operational capabilities, were overstated; and (v) as a result, the Company's public statements were materially false and misleading at all relevant times.

On February 24, 2025, Civitas announced its financial results for the fourth quarter and full year 2024.

Among other items, the Company reported revenue of $1.29 billion, missing consensus estimates by $3.44 million, and non-GAAP earnings per share of $1.78 for the quarter, missing consensus estimates by $0.21 per share. In addition, Civitas reported net income of $151.1 million, or $1.57 per share, compared with $302.9 million, or $3.23 per share, in the year-ago quarter, and interest expense-the cost incurred by an entity for borrowed funds-of $456.3 million for the year.

That same day, Civitas issued a press release detailing the Company's 2025 outlook, which Civitas claimed was "designed to maximize free cash flow." The press release listed several 2025 outlook highlights, including "[d]elivering oil production between 150 and 155 thousand barrels per day ('MBbl/d') on average,"-a year-over-year decline of approximately 4%-"[e]xpanding [its] Permian Basin position with a $300 million bolt-on transaction that adds 19,000 net acres and approximately 130 future development locations in the Midland Basin," and "[e]xecuting on [a] new divestment target of $300 million" meant to offset the foregoing transaction. Further, the press release stated, in relevant part, that "[f]irst quarter [2025] oil volumes are expected to be the low point for the year, averaging 140 to 145 MBbl/d, mostly as a result of few TILs in late 2024 and early 2025." The Company explained that "[a]s compared to the fourth quarter of 2024, lower volumes are primarily driven by the DJ Basin, due to natural declines following peak production in the fourth quarter, a low TIL count exiting 2024 and in the first quarter of 2025," as well as severe winter weather and unplanned third-party processing downtime in the first quarter. In addition, Civitas announced a 10% reduction in its workforce across all levels, purportedly to "solidify the Company's low-cost structure."

Finally, in a filing on Form 8-K with the United States Securities and Exchange Commission, Civitas also announced the termination of its Chief Operating Officer ("COO") Hodge Walker, who had occupied the role for only 22 months, and Chief Transformation Officer Jerome Kelly, effective immediately.

Market analysts were quick to comment on the Company's announcements, expressing particular concern about Civitas's reduced 2025 oil production guidance. For example, on February 24, 2025, the investment bank KeyBanc Capital Markets ("KeyBanc") downgraded Civitas to Sector Perform from Outperform, stating that it was "confused and disappointed" by the results and the "tepid" 2025 outlook, and finding it prudent to "wait for more clarity on operations [and] the balance sheet[.]" Further, KeyBanc noted that it was "anticipating news of inorganic debt reduction, likely in the form of a meaningful sale of DJ Basin assets, [but] news of another round of $300M of asset sales does not move the needle for a company with over $5B of debt (pro forma for 1Q25 transactions)." KeyBanc also stated that it was concerned by the Company's interest expense guidance and that the decision to buy Midland Basin acreage suggests Civitas "faces inventory depth concerns in the Permian Basin that are forcing its hand to backfill inventory amid a scarcity of available assets." Finally, in addition to balance sheet concerns, KeyBanc took issue with management's lack of clarity regarding the "fate of the DJ Basin," and stated that it had "less confidence and more questions about operations, given the updates [. . .] If drilling economics are as good as management claims, why let oil decline 5% (ex-acquisition) in a $70/[barrel of crude oil ('bbl') West Texas Intermediate ('WTI')] world? Why did management choose to have zero 4Q24 TILs, creating this significant production decline in 1Q25? How do these factors tie into the abrupt departure of a COO who had been in the role less than two years?"

On this news, Civitas's stock price fell $8.95 per share, or 18.15%, to close at $40.35 per share on February 25, 2025.

Pomerantz LLP, with offices in New York, Chicago, Los Angeles, London, Paris, and Tel Aviv, is acknowledged as one of the premier firms in the areas of corporate, securities, and antitrust class litigation. Founded by the late Abraham L. Pomerantz, known as the dean of the class action bar, Pomerantz pioneered the field of securities class actions. Today, more than 85 years later, Pomerantz continues in the tradition he established, fighting for the rights of the victims of securities fraud, breaches of fiduciary duty, and corporate misconduct. The Firm has recovered billions of dollars in damages awards on behalf of class members. See www.pomlaw.com.

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