Risk Factors Comparison 2024-02-29 to 2023-03-09 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Described below are certain risks that we believe are applicable to our business. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial individually or in the aggregate may also impair our business operations. This information should be considered carefully, together with other information in this report and other reports and materials we file with the SEC. If any of these risks were to occur, our business, financial condition, results of operations or liquidity and the trading price of our Class A common stock could be materially adversely affected. Risks Related to Our Business Our business depends on capital spending by the oil and gas industry in the Permian Basin and reductions in capital spending could have a material adverse effect on our liquidity, results of operations and financial condition. Demand for our services is directly affected by ~~current and anticipated oil and natural gas prices and demand and related~~ capital spending by our customers to explore for, develop and produce oil and gas in the Permian Basin. Our produced water handling revenues are substantially dependent upon oil, natural gas and ~~natural gas liquids ("~~ NGL ~~")~~ production from our customers' upstream activity. Our Water Solutions revenues are substantially dependent upon the number of wells drilled and completed by our customers and the amount of water used in completing each well. In addition, there is a natural decline in production from existing wells that are connected to our gathering systems. We have no control over the amount of resources that our customers devote to the development of oil and gas reserves ~~, and our customers have the ability to reduce or curtail such development at their discretion~~ . **Industry conditions** ~~Prices for oil and gas historically have been extremely volatile and are expected to continue to be volatile, particularly in light of the impacts of the COVID- 19 pandemic, the ongoing Russia-Ukraine conflict and recent increases in inflation. Prices are also impacted by decisions made by the Organization of the Petroleum Exporting Countries (" OPEC ") plus the countries of Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan (together with OPEC, " OPEC ") to either increase or cut production of oil and gas. During the year ended December 31, 2022, the average West Texas Intermediate (" WTI ") spot price was $ 94. 90, versus an average price of $ 67. 99 for the year ended December 31, 2021. While oil prices have improved since their lows in April 2020, the continued impact of the COVID- 19 pandemic, recent increases in inflation and world conflict events, such as the Russia-Ukraine conflict, and the associated impacts to oil demand will result in continued uncertainty around the near- term price of oil. If oil and gas prices decline, our customers may further reduce their exploration, development and production activities and demand lower rates for our services or delay, modify, or terminate their use of our services. Volatility or weakness in oil prices or natural gas prices (or the perception~~ that ~~oil prices or natural gas prices will decrease) affects~~ **affect** ~~the spending patterns of our customers and may result in the drilling or completion of fewer new wells or lower production spending on existing wells. This, in turn, could lead to lower demand for our services and may cause lower rates and lower utilization of our assets. Even in an environment of stronger oil and gas prices, fewer oil and gas completions in our market areas as a result of decreased~~ capital spending ~~may have a negative long- term impact on our business. Any of these conditions or events could adversely affect our operating results, as they did in 2020 and may do so in the future. If our customers fail to maintain or increase their capital spending and demand for our services, it could have a material adverse effect on our liquidity, results of operations and financial condition. Industry conditions~~ are influenced by numerous factors over which we have no control, including, among other things: ● the severity and duration of world health events, related economic repercussions and the resulting severe disruption in the oil and gas industry and negative impact on demand for oil and gas, which negatively impacts the demand for our services; ● domestic and foreign **political and** economic conditions and supply of and demand for oil and gas; ● the level of prices, and expectations regarding future prices, of oil and gas; ● the level of global oil and gas exploration and production and storage capacity; ● actions by the members of OPEC with respect to oil production levels and announcements of potential changes in such levels, including the ability of the OPEC countries to agree on and comply with supply limitations; ● governmental regulations, including environmental restrictions and the policies of governments regarding the exploration for and production and development of their oil and gas reserves; ● releases from strategic oil reserves; ● **supply chain disruptions or constraints; ●** governmental laws, policies, regulations, subsidies and other actions to promote the use of renewable energy sources; ● federal and state regulators responses to seismicity; ● taxation and royalty charges; ● ~~political and economic conditions in oil and gas producing countries; ●~~ global weather conditions, pandemics and natural disasters; ● **armed conflict, terrorist attacks and** worldwide political, military and economic ~~conditions~~ **events** , including the Russia- Ukraine **and Israel-Hamas** ~~conflict~~ **conflicts** and any related political or economic responses; ● the cost of producing and delivering oil and gas; ● the discovery rates of new oil and gas reserves and the availability of commercially viable geographic areas in which to explore and produce crude oil and natural gas; ● activities by non- governmental organizations to limit certain sources of funding for the energy sector or restrict the exploration, development and production of oil and gas; ● the ability of oil and gas producers to access capital; ~~31~~ ● technical advances affecting production efficiencies and overall energy consumption; and ● the potential acceleration of the development of alternative fuels. ~~will be uncertain.~~ Prior adverse changes in the global economic environment and capital markets and declines in prices for crude oil and natural gas have caused many customers to reduce capital budgets for future periods and have caused decreased demand for crude oil and natural gas.Limitations on the availability of capital,or higher costs of capital,for financing expenditures have caused and may continue to cause customers to make additional reductions to capital budgets in the future even if commodity prices increase from current levels. ~~These cuts in~~ **If oil and gas prices decline,our customers may further reduce their exploration,development and production activities and demand lower rates for our services or delay,modify,or terminate their use of our services.If our customers fail to**

maintain or increase their capital spending ~~may curtail drilling programs and other discretionary spending,which could result in a reduction in business opportunities~~ and demand for our services, ~~the rates we can charge and~~ **it could have a material adverse effect on** our **liquidity** ~~utilization.In addition~~ , ~~certain of our customers could become unable to satisfy their contractual commitments,including to us,which could materially and adversely affect our~~ results of ~~operation~~ **operations and financial condition** . ~~These unprecedented~~ If oil prices or natural gas prices remain volatile or were to decline, the demand for our services could be adversely affected. The volume of water we process is driven in large part by the level of crude oil production, which is primarily determined by current and anticipated oil and natural gas prices **and demand** and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in oil prices or natural gas prices (or the perception that oil prices or natural gas prices will decrease) affects the spending patterns of our customers and may result in the drilling or completion of fewer new wells or lower production spending on existing wells. This, in turn, could lead to lower demand for our services and may cause lower rates and lower utilization of our assets. **Prices for oil and natural gas historically have been extremely volatile and are expected to continue to be volatile. During the year ended December 31, 2023, the average WTI spot price was $ 77. 58 versus an average price of $ 94. 90 for the year ended December 31, 2022.** If oil prices or natural gas prices decline, or if completions activity is reduced, the demand for our services and our results of operations could be materially and adversely affected. **Even in an environment of stronger oil and gas prices, fewer oil and gas completions in our market areas as a result of decreased capital spending may have a negative long- term impact on our business.** In addition, **certain of our contracts, including a contract with** one of our significant ~~customer~~ **customers** ~~contracts~~ **,** ~~provides~~ **provide** for rates that periodically fluctuate within a defined range in response to ~~changes~~ **29changes** in **the** WTI **price** ; therefore, a portion of our revenue is directly exposed to fluctuations in the price of crude oil. ~~As~~ **Additionally, as** part of our water processing activities, we aggregate and sell recovered crude oil, also known as skim oil. A portion of our cash flow from operations is dependent on skim oil sales revenue, which is directly exposed to fluctuations in the price of crude oil. Fluctuations and decreases in production volume or the price that we receive for skim oil could impact our liquidity, results of operations or financial condition. Prices for oil and gas historically have...... for us to forecast future results. The fees charged to customers under our agreements for the gathering, transportation or handling of produced water may not escalate sufficiently to cover increases in costs and the agreements may be suspended in some circumstances, which would affect our profitability. Our costs may increase more rapidly than the fees that we charge to customers pursuant to our contracts with them. ~~For example, the United States has been experiencing a period of cost and wage inflation, as evidenced by increases in the CPI, and inflation is expected to continue in 2023.~~ If inflation and other cost increases, such as the cost for labor, chemical treatment, rental equipment and fuel expenses, ~~continue to~~ outpace the fees we charge to customers **, as they have from time to time during recent periods** , our profit margins will be reduced. Additionally, some customers' obligations under their agreements with us may be permanently or temporarily reduced upon the occurrence of certain events, some of which are beyond our control, including force majeure events wherein the supply of produced water is curtailed or cut off. Force majeure events **generally** include (but are not limited to) revolutions, wars, ~~32acts~~ -- **acts** of enemies, embargoes, import or export restrictions, strikes, lockouts, fires, storms, floods, acts of God, explosions, mechanical or physical failures of our equipment or facilities of our customers. If the escalation of fees is insufficient to cover increased costs, or if any customer suspends or terminates its contracts with us, our profitability could be materially affected. ~~Constraints in the supply of equipment or materials used in providing services to our customers could affect our ability to execute our growth strategies. Market conditions, such as the COVID- 19 pandemic and the Russia- Ukraine conflict and the international response to each of those events, could trigger constraints in the supply chain of certain equipment, replacement parts for such equipment, or materials, such as chemicals, that we use for providing services to our customers, which could have a material adverse effect on our business. We have heightened risk associated with supply chain constraints where we have a relationship with a single supplier for a particular resource.~~ We operate in a highly competitive industry, which may intensify ~~as~~ **if** our competitors expand their water supply, produced water recycling, and produced water handling operations **or customers elect to operate their water- management services in- house or enter into arrangements with other oil and gas producers for water- management services rather than outsource these services from companies like us** , thereby causing us to lose market share, and which could negatively affect our ability to expand our operations. The Produced Water Handling and Water Solutions businesses are highly competitive and include numerous companies capable of competing effectively in our markets on a local basis. In our Water Solutions business, we compete with landowners, water supply and transfer companies, and companies who engage in the sale or treatment of produced water. Our Produced Water Handling business is in direct and indirect competition with other businesses, including water handling and other produced water treatment businesses. Some of our larger diversified competitors have a ~~similarly~~ broad geographic scope, as well as greater financial and other resources than us, while others focus on specific basins only and may have locally competitive cost efficiencies as a result. Additionally, there may be new companies that enter the water solutions business, or our existing and potential customers may develop their own water **management** solutions ~~businesses~~ . Our ability to maintain current revenue and cash flows, and our ability to expand our operations, could be adversely affected by the activities of our competitors and our customers. If our competitors substantially increase the resources they devote to the development and marketing of competitive services or substantially decrease the prices at which they offer their services, we may be unable to effectively compete. If our existing and potential customers **choose to operate their water- management services in- house or enter into arrangements with other oil and gas producers for water- management services rather than outsource these services from companies like us, including by** ~~develop~~ **developing** their own water **handling or** solutions businesses, we may not be able to effectively replace that revenue. All of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition. ~~The oil and gas industry is intensely competitive, and in certain businesses we compete with other companies that have greater resources than us. Many of our larger competitors provide a broader base of services on a regional, national or worldwide basis. These companies may have a greater~~

~~ability to continue providing water infrastructure services during periods of low commodity prices, to contract for equipment, to secure trained personnel, to secure contracts, permits and rights- of- way and to absorb the burden of present and future federal, state, provincial, local and other laws and regulations (as applicable). Any inability to compete effectively with larger companies could have a material adverse impact on our financial condition and results of operations. Growing~~ **30Growing** or adapting our business by constructing new transportation systems and facilities subjects us to construction risks and risks that supplies for such systems and facilities will not be available upon completion thereof. One of the ways we intend to grow our business is through the construction of expansions to our systems and / or the construction of new produced water pipelines, treatment facilities and water handling facilities. These expansion projects require the expenditure of significant amounts of capital, which may exceed our ~~33resources~~ -- **resources** , and involve numerous regulatory, environmental, political and legal uncertainties, including political opposition by landowners, environmental activists and others. There can be no assurance that we will complete these projects on schedule, or at all, or at the budgeted cost. We could also encounter technical difficulties during the drilling of a disposal well leading to a reduction in capacity or a shorter useful life. Our revenues may not increase upon the expenditure of funds on a particular project. Moreover, we may undertake expansion projects to capture anticipated future growth in production in a region in which anticipated production growth does not materialize or for which we are unable to acquire new customers. As a result, our new facilities and infrastructure may not be able to attract enough demand for our services to achieve our expected investment return, which could materially and adversely affect our consolidated results of operations and financial position. In addition, we may also deem it necessary to construct new wells and related pipelines so as to ensure the desired or required amount of spacing between wells. This can require substantial costs, delays in growth of operations, or risks of entering new areas. We face opposition to the development or operation of our water pipelines and facilities from various individuals and groups. We have experienced opposition to the development or operation of our water pipelines and facilities from landowners and other third parties and may in the future face opposition from various individuals or groups such as government officials, environmental groups, tribal groups, local groups and other advocates. Such opposition can take many forms, including the delay or denial of required governmental permits, organized protests, attempts to block or sabotage our operations, intervention in regulatory or administrative proceedings related to our permitting efforts or otherwise involving our assets, or lawsuits or other actions designed to prevent, disrupt or delay the operation of our assets and business. For example, repairing our pipelines often involves securing consent from individual landowners to access their property and provide us with sufficient temporary space to allow us to conduct repairs. One or more landowners may resist our efforts to make needed repairs, which could lead to an interruption in the operation of the affected pipeline or facility for a period of time that is significantly longer than would have otherwise been the case. In addition, acts of sabotage or eco- terrorism could cause significant damage or injury to people, property or the environment or lead to extended interruptions of our operations. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits we require to conduct our operations to be withheld, delayed or burdened by requirements that restrict our ability to profitably conduct our business. Any such event that delays or otherwise interrupts the revenues generated by our operations, or which causes us to make significant expenditures not covered by insurance, could adversely affect our results of operations and financial condition. There is uncertainty related to the future profitability of the oil and natural gas industry broadly. Although we are not directly engaged in the extraction of oil and natural gas, produced water is a natural byproduct of crude oil and natural gas production so efforts in **recent years in** the investment community to reduce access to capital markets and pressure lenders to limit funding or increase the cost of lending to companies engaged in the extraction of oil and natural gas may adversely affect our business and limit our access to capital. The negative sentiment toward the oil and natural gas industry compared to other industries has led to lower oil and gas representation in certain key equity market indices. Some investors, including certain pension funds, university endowments and family foundations, have stated policies to reduce or eliminate their investments in the oil and gas sector based on social and ~~environment~~ **environmental** considerations. Many political and regulatory authorities, along with certain financing sources and well- funded environmental activist ~~groups~~ **31groups** , are devoting substantial resources and efforts to minimize or eliminate the use of oil and natural gas as a source of ~~electricity~~ **energy** , domestically and internationally, ~~thereby reducing~~ **which could reduce** the demand and pricing for ancillary services **, including our services, interfere with our customers' business activities and operations,** and potentially materially and adversely ~~impacting~~ --- **impact** our future financial results, liquidity, ability to raise capital and growth prospects. Concerns about the environmental impacts of the oil and natural gas industry, including impacts on global climate, are resulting in increased regulation of GHG emissions, unfavorable lending policies toward the ~~34financing~~ -- **financing** of oil and natural gas operations and divestment efforts affecting the industry and the investment community, which could adversely affect demand for our services. Members of the investment community are also increasing their focus on ESG practices and disclosures, including practices and disclosures related to GHGs and climate change in the energy industry in particular. As a result, we may face increasing pressure regarding our ESG practices and disclosures. We have announced, and may announce in the future, various sustainability or other ESG related commitments, goals or targets that are ambitious and we may be unable to meet such commitments, goals or targets in the manner or on the timeline as initially contemplated, which could expose us to investor scrutiny, government enforcement actions and private litigation. Regardless of our reporting regime or content, certain investors and organizations may publish ratings or views on our sustainability or other ESG efforts or disclosures that are not favorable. This could limit our access to capital, impair our ability to attract talent, and have an adverse impact on our business. In addition, increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits brought by public and private entities against oil and natural gas operators. If any of our customers are targeted by any such litigation and incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to our causation of or contribution to the asserted damage or to other mitigating factors, demand for our services could be adversely affected. The ability to attract and retain key members of management, **other key personnel and** qualified Board members **is critical to the success of our business. Our success depends to a large extent upon the efforts and abilities of our senior management team** and other key personnel ~~is critical to the success of our business~~ and ~~may be challenging. Our success will depend to a large extent upon~~ the ~~efforts and abilities of our senior management team and having experienced~~ **experience** ~~individuals serving on~~ **and knowledge of** our Board **members** ~~who are also knowledgeable about our operations and our industry. The success of our business also depends on other key personnel~~. The ability to attract and retain these key personnel may be difficult in light of the volatility of our business. Acquiring and keeping personnel could prove more difficult or cost substantially more than estimated. These factors could cause us to incur greater costs or prevent us from pursuing our business strategy as quickly as we would otherwise wish to do. If executives or other key personnel resign, retire or are terminated, or their service is otherwise interrupted, we may not be able to replace them adequately or in a timely manner and we could experience significant declines in productivity. **We may have** ~~Our industry has experienced a high rate of employee turnover. Any~~ difficulty ~~we experience replacing~~ **securing sufficient labor to meet** ~~or~~ **our needs** ~~adding personnel could have a material adverse effect on our liquidity, results of operations and financial condition~~. We are dependent upon the available labor pool of skilled employees and may not be able to find enough ~~skilled~~ labor to meet our needs, which could have a negative effect on our growth. We are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions. Our services require skilled workers who can perform physically demanding work. As a result of our industry volatility, pronounced declines in drilling and completions activity, as well as the demanding nature of the work, many workers have left the oilfield services sector to pursue employment in different fields. If we are unable to retain or meet the growing demand for skilled technical personnel, our operating results and our ability to execute our growth strategies may be adversely affected. ~~The~~ **32The** growth of our business through acquisitions may expose us to various risks, including those relating to difficulties in identifying suitable, accretive acquisition opportunities and integrating businesses, assets and personnel, as well as difficulties in obtaining financing for targeted acquisitions and the potential for increased leverage or debt service requirements. As a component of our business strategy, we pursue acquisitions of assets, businesses and technologies. Acquisitions involve numerous risks, including: ● unanticipated costs and assumption of liabilities and exposure to unforeseen liabilities of the acquired business, including but not limited to environmental liabilities; ~~35~~ ● difficulties in integrating the operations and assets of the acquired business and the acquired personnel; ● limitations on our ability to properly assess and maintain an effective internal control environment over an acquired business; ● potential losses of key employees and customers of the acquired business; ● risks of entering markets in which we have limited prior experience; and ● increases in our expenses and working capital requirements. In evaluating acquisitions, we generally prepare one or more financial cases based on a number of business, industry, economic, legal, regulatory and other assumptions applicable to the proposed transaction. Although we expect a reasonable basis will exist for those assumptions, the assumptions will generally involve current estimates of future conditions. Realization of many of the assumptions will be beyond our control. Moreover, the uncertainty and risk of inaccuracy associated with any financial projection will increase with the length of the forecasted period. Some acquisitions may not be accretive in the near term and will be accretive in the long- term only if we are able to timely and effectively integrate the underlying assets and such assets perform at or near the levels anticipated in our acquisition projections. The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties and may require a significant amount of time and resources. Our failure to successfully incorporate the acquired business and assets into our existing operations or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations. Furthermore, there is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. In addition, we may not have sufficient capital resources to complete any additional acquisitions. We may incur substantial indebtedness to finance future acquisitions and also may issue equity, debt or convertible securities in connection with such acquisitions. Debt service requirements could represent a significant burden on our results of operations and financial condition and the issuance of additional equity or convertible securities could be dilutive to our existing equity holders. Furthermore, we may not be able to obtain additional financing on satisfactory terms. Even if we have access to the necessary capital, we may be unable to continue to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. ~~Our~~ **33Our** operations are subject to inherent risks in the oil and gas industry, some of which are beyond our control. These risks may be self- insured, or may not be fully covered under our insurance policies. Our operations are subject to hazards inherent in the oil and gas industry, such as, but not limited to, accidents and releases of produced water into the environment. These conditions can cause: ● disruption in operations; ● substantial repair, workover or remediation costs; ● technical difficulties encountered during disposal well drilling activities that require significant incremental capital expenditure or that render the well unfit for future service; ● personal injury or loss of human life; ~~36~~ ● significant damage to or destruction of property, plant and equipment; ● environmental pollution, including groundwater contamination; ● impairment or suspension of operations; and ● substantial revenue loss. The occurrence of a significant event or adverse claim in excess of the insurance coverage that we maintain or that is not covered by insurance could have a material adverse effect on our liquidity, consolidated results of operations and consolidated financial condition. Any interruption in our services due to pipeline breakdowns or necessary maintenance, workovers or repairs could reduce ~~sales~~ **our** revenues and earnings. ~~In addition, variability~~ **Variability** of maintenance, workover or repair expense could have a significant negative impact on our gross margin and earnings. **In addition, the hazards and risks associated with the transport, storage, handling, treatment and disposal of produced water has and may continue to expose us to claims from our employees, customers, and third parties, including, but not limited to, personal injury claims, property damage claims (including claims related to reservoir damage or subsurface trespass) and / or environmental liability claims.** Litigation arising from a **significant or** catastrophic occurrence at a location where our equipment and services are being used may result in our being named as a defendant in lawsuits asserting large claims **for which we may not be adequately indemnified or for which we have agreed to indemnify a customer or other third- party. Due to the unpredictable nature of such events and litigation, it is not possible to predict their impact on our results or the ultimate outcome of any current or future claims or lawsuits with certainty, and we may be held liable for significant losses** . We do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. The occurrence of an event not fully insured against or the failure of an insurer to meet its insurance obligations could result in substantial losses. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. Insurance may not be available to cover any or all of the risks to which we are subject, or, even if available, it may be inadequate, or insurance premiums or other costs could rise significantly in the future so as to make such insurance prohibitively expensive. ~~A~~ **Insurance may be inadequate in circumstances where, among others, we are unable to enforce the contractual allocation of potential liability and risks in our agreements with third- parties, where we incur an unforeseen liability falling outside the scope of such allocation or where we are required to enter into agreements in which such allocation is otherwise unfavorable to us. As a result, we may incur substantial losses which could materially and adversely affect our financial condition and results of operations. 34A** loss of one or more significant customers could materially or adversely affect our results of operations. We expect to continue to depend on a limited number of key customers to support our revenues for the foreseeable future. Any development that materially and adversely affects these customers could result in a reduction in our customers' spending for our services. Our three largest customers for the year ended December 31, ~~2022~~ **2023** represented approximately ~~57~~ **62** % of our revenues. The loss of key customers, failure to renew contracts upon expiration, or a sustained decrease in demand by key customers could result in a substantial loss of revenues and could have a material and adverse effect on our consolidated results of operations. Because a significant portion of our revenues is derived from ConocoPhillips, any development that materially and adversely affects ConocoPhillips' operations, financial condition or market reputation could have a material adverse impact on us. ConocoPhillips is our largest customer, is a significant shareholder in us and is expected to play a significant role in our success. Accordingly, we are indirectly subject to the business risks of ConocoPhillips. Because a significant portion of our revenues is derived from ConocoPhillips, any development that materially and adversely affects ConocoPhillips' operations, financial condition or market reputation could have a material adverse impact on us. For the year ended December 31, ~~2022~~ **2023** , ConocoPhillips and its affiliates accounted for approximately ~~34~~ **33** % of our total consolidated revenues. As of December 31, ~~2022~~ **2023** , ConocoPhillips and its affiliates accounted for approximately ~~36~~ **28** % of our accounts receivable. Our lack of diversification increases the risk of an investment in us and we are vulnerable to risks associated with operating primarily in one geographic area. All of our operations are in the Permian Basin in Texas and New Mexico, making us vulnerable to risks associated with operating in one geographic area. Due to the concentrated nature of our business activities, a number of our properties could experience any of the same conditions at the same time, resulting in a ~~37relatively~~ -- **relatively** greater impact on our results of operations than they might have on other companies that are more diversified. In particular, we may be disproportionately exposed to the impact of regional supply and demand factors, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, water shortages or other drought related conditions. Such delays or interruptions could have a material adverse effect on our financial condition, results of operations and cash flows. Seasonal weather conditions and natural or man- made disasters could severely disrupt normal operations and have an adverse effect on our business, financial position and results of operations. We operate in the Permian Basin which may be adversely affected by seasonal weather conditions and natural or man- made disasters. During periods of heavy snow, ice, rain or extreme weather conditions such as high winds and tornados or after other natural disasters such as earthquakes or wildfires, we may be unable to access our assets and our facilities may be damaged, thereby reducing our ability to provide services and generate revenues. For example, numerous earthquakes have been recorded recently in West Texas and Southeastern New Mexico. In addition, hurricanes or other severe weather in areas where we do not operate, such as the Gulf Coast region (including those weather- related events which may be caused or exacerbated by climate change), could seriously disrupt the supply of products and cause serious shortages in various areas, including the areas in which we do operate. Such disruptions could potentially have a material adverse impact on our business, consolidated financial position, results of operations and cash flows. ~~We~~ **35We** engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us. We have historically entered into a number of transactions with related parties. In particular, we have entered into a water gathering and handling agreement with ConocoPhillips, which owned approximately 47 % of our Class B common stock and a 22 % interest in Solaris LLC (representing approximately 22 % of our combined economic interest and voting power), as of December 31, ~~2022~~ **2023** . In addition, a member of our Board of Directors is affiliated with ConocoPhillips. Related party transactions create the possibility of conflicts of interest with regard to our management. Such a conflict could cause an individual in our management to seek to advance his or her economic interests above ours. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our liquidity, results of operations and financial condition. While the indenture that governs our Senior Sustainability- Linked Notes due 2026 **(as defined under Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Debt Agreements)** places restrictions on our ability to transact with ConocoPhillips, those restrictions are subject to significant exceptions. ~~The default~~ **Defaults** by customers and counterparties could adversely affect our business, financial condition, and results of operations. The deterioration in the financial condition of one or more of our significant customers or counterparties could result in their failure to perform under the terms of their agreement with us or default in the payment owed to us. Our customers and counterparties include crude oil and natural gas producers, equipment suppliers and groundwater suppliers whose creditworthiness may be suddenly and disparately impacted by, among other factors, commodity price volatility, deteriorating energy market conditions, and public and regulatory opposition to energy producing activities ~~.~~

~~Additionally, we depend on a limited number of customers for a significant portion of our revenues. In 2022, approximately 57 % of our total consolidated revenues was generated from three of our customers, of which ConocoPhillips and its affiliates accounted for approximately 34 % of total consolidated revenues. The concentration of credit risk may be affected by changes in economic or other conditions within our industry and may accordingly affect our overall credit risk~~. While we have credit approval procedures and policies in place, we are unable to completely eliminate the performance and credit risk to us associated with doing business with these parties. In a low commodity price environment, certain of our customers have been or could be negatively impacted, causing them significant economic stress resulting, in some cases, in a customer bankruptcy filing or an effort to renegotiate our contracts. The ~~38deterioration~~ -- **deterioration** in the creditworthiness of our customers and the resulting increase in nonpayment and / or nonperformance by them could cause us to write down or write off accounts receivables or tangible and intangible assets. Such write- downs or write- offs could negatively affect our operating results in the periods in which they occur, and, if significant, could have a material adverse effect on our business, financial condition, results of operations, and cash flows. We may not be able to keep pace with technological developments in our industry. The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement those new technologies at substantial cost. In addition, other water companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may allow them to implement new technologies before we can. We may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete or if we are unable to use the most advanced commercially available technology, our business, financial condition, results of operations and cash flows could be adversely affected. Our initiatives related to the development of technologies for the beneficial reuse of produced water require a substantial investment by us in research and development expenses and may not be successful or achieve market acceptance. We have incurred significant expenditures to fund our research and development efforts related to the development of technologies for the beneficial reuse of produced water, and we intend to continue those ~~expenditures~~ **36expenditures** in the future. However, research and development is by its nature speculative, and there can be no assurances that these expenditures will result in the development of new technology or that any new technology we develop will be commercially marketable or profitable to us. Many of our competitors in the development of such technology are large multinational companies that have significantly greater financial and personnel resources than we have, and they may be able to devote greater resources to research and development of technologies than us. In addition, our ability to compete effectively in the beneficial reuse space may also depend on our ability to obtain patents on proprietary technology. The inability to protect any innovations through patents could adversely affect our business, financial condition and results of operations. We may be required to take write- downs of the carrying values of our long- lived assets and finite- lived intangible assets. We evaluate our long- lived assets, such as property and equipment, and finite- lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Recoverability is measured by a comparison of their carrying amount to the estimated undiscounted cash flows to be generated by those assets. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, economics and other factors, we may be required to write down the carrying value of our long- lived and finite- lived intangible assets. For the years ended December 31, **2023 and** 2022 ~~and 2021~~, we recognized abandoned well costs of $ **1. 3 million and $** 15. 8 ~~million and $ 28. 5~~ million, respectively, and long- lived asset impairment expense of **zero and** $ 15. 6 million ~~and none~~, respectively. We may be required to take a write- down of the carrying value of goodwill. We conduct our annual goodwill impairment assessment during the fourth quarter of each year, or more frequently if an event or circumstance indicates that the carrying value of a reporting unit may exceed the fair value. When possible impairment is indicated, we value the implied goodwill to compare it with the carrying amount of goodwill. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recorded. We may use a combination of the income approach and the market approach to determine the fair ~~39value~~ -- **value** of a reporting unit. The fair value of goodwill may be based on estimates and assumptions applied by us such as revenue growth rates, gross margins, weighted average costs of capital, market multiples, and future market conditions and is affected by numerous factors, including the general economic environment and levels of exploration and production activity of oil and gas companies, our financial performance and trends, and our strategies and business plans, among others. As a result of this annual impairment assessment, we may be required to write down the carrying value of goodwill. **37Deficiencies** ~~We previously identified a material weakness~~ in our internal control over financial reporting **could prevent us from accurately** and **timely reporting our financial results. We** may identify **deficiencies** ~~additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations. Prior to our IPO, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. We identified a material weakness~~ in our internal control over financial reporting ~~as of December 31, 2020 caused by the misapplication of accounting principles related to the estimate of amortization~~ in ~~connection with~~ **the future, including significant deficiencies and material weaknesses. A significant deficiency is a deficiency** ~~our~~ - **or** ~~intangible assets. We have taken steps to remediate this~~ **a combination of deficiencies in internal control over financial reporting that is less severe than a** material weakness **, yet important enough to merit attention by** ~~and have implemented additional controls around identifying and determining the~~ **those** ~~appropriate amount~~ **responsible for oversight** of **a company' s financial reporting** ~~amortization to record in connection with intangible assets~~. A ~~"~~ material weakness ~~"~~ is a deficiency, or **a** combination of deficiencies, in internal ~~controls~~ - **control over financial reporting** such that there is a reasonable possibility that a material misstatement ~~in~~ **of a company' s annual or interim** financial statements will not be prevented or detected on a timely basis. **A deficiency** ~~Although we took steps to remediate the material weakness and the error~~

~~amount was fully reflected and adjusted~~ in **internal control exists when the design** ~~our~~ - **or** ~~2020 year- end financial~~ **operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect** ~~statements~~ **misstatements on a timely basis. Failure to identify** ~~, we can give no assurance that additional material weaknesses or significant~~ deficiencies in our internal control over financial reporting ~~will not be identified~~ **in a timely manner or to remediate any deficiencies, or the identification of material weaknesses or significant deficiencies** in the future **could prevent us from accurately** ~~. Our failure to design, implement~~ and **timely reporting our** ~~maintain effective internal control over~~ financial ~~reporting could result~~ **results** ~~in errors in our financial statements that could result in a restatement of our financial statements and cause us to fail to meet our reporting obligations~~ . Our debt instruments have restrictive covenants that could limit our financial flexibility. Our Credit Facility **(as described under Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Debt Agreements)** and the indenture that governs our Notes contain financial and other restrictive covenants that limit our ability to engage in activities that may be in our long- term best interests. Our ability to borrow under our Credit Facility is subject to compliance with certain financial covenants, including leverage and interest coverage ratios. Our Credit Facility and the indenture that governs our Notes include other restrictions that, among other things limit our ability to: ● incur indebtedness; ● grant liens; ● engage in mergers, consolidations and liquidations; ● make asset dispositions, restricted payments and investments; ● enter into transactions with affiliates; and ● amend, modify or prepay certain indebtedness. Our business plan and our compliance with these covenants are based on a number of assumptions, the most important of which is relatively stable oil and gas production, including our customers' planned development and production activity remaining consistent with their communications with us, relatively predictable costs for our capital improvements, a materially consistent legal and regulatory environment, and ~~40increased~~ -- **increased** demand for recycled water along with margin improvements. The significant deterioration of oil and gas production or our customers' development activity from current levels, higher capital expenditures or reduced recycling and higher operating costs could lead to lower revenues, cash flows and earnings, which in turn could lead to a default under certain financial covenants contained in the Credit Facility. Our ~~leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt. See Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Debt Agreements. Our~~ failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our debts. We may not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness. Any of these events could have a material adverse effect on our business, financial condition and results of operations **. Our leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have 38less debt. See Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Debt Agreements** . Our leverage may limit our ability to borrow additional funds, comply with the terms of our indebtedness or capitalize on business opportunities. Our leverage may adversely affect our ability to fund future working capital, capital expenditures and other general corporate requirements, future acquisitions, construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness. Other companies with which we compete may have greater liquidity, more unencumbered assets, less indebtedness, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses, longer- standing relationships with customers, or greater potential for profitability than we do. Constructing and maintaining water infrastructure used in the oil and gas industry requires significant capital. We may require additional capital in the future to develop and construct water handling, sourcing, transfer and other related infrastructure to execute our growth strategy. For the years ended December 31, **2023 and** 2022 ~~and 2021~~ , cash capital expenditures were $ **169. 7 million and $** 146. 5 ~~million, and $ 74. 7~~ million, respectively. Historically, we have financed these investments through cash flows from operations, external borrowings and equity capital contributions. These sources of capital may not be available to us in the future. The inability to obtain additional financing to operate our business or capitalize on business opportunities, whether because of the restrictions set forth above or otherwise, could have a material adverse effect on our business, financial condition and results of operations. Increases in interest rates could adversely impact the price of our shares, our ability to issue equity or incur debt for acquisitions or other purposes. In March 2022, the Federal Reserve began **raising** ~~, and is expected to continue, to raise~~ interest rates in an effort to curb inflation **and continued to raise rates through July 2023** . In this **higher interest rate** environment, interest rates on ~~future~~ borrowings, credit facilities and debt offerings could **remain elevated** ~~be higher than current levels~~ , causing our financing costs to increase ~~accordingly~~ **relative to existing costs** . Changes in interest rates, either positive or negative, may also affect the yield requirements of investors who invest in our shares, and the rising interest rate environment could have an adverse impact on the price of our shares, or our ability to issue equity or incur debt for acquisitions or other purposes. ~~41Our~~ -- **Our** business is difficult to evaluate because we have a limited operating history. We were formed in May 2021 and do not have historical financial operating results prior to the IPO. For purposes of this Annual Report, our accounting predecessor is Solaris LLC, which was formed in November 2015. Except as expressly noted otherwise, our historical financial information and operational data described in this Annual Report is that of Solaris LLC and its consolidated subsidiaries. As a result, there is only limited historical financial and operating information available upon which to base an evaluation of our performance. **39A** ~~The risk of terrorism~~ **terrorist** ~~and political~~ **attack, armed conflict or** unrest **could harm our business** ~~in various energy-producing regions may adversely affect the economy and the price and availability of oil and natural gas~~ . The occurrence or threat of terrorist attacks in **the U. S. or** any of the major energy producing regions of the world or elsewhere, anti- terrorist efforts and other armed conflicts involving the U. S. or other countries, including continued hostilities in the Middle East, may adversely affect the U. S. and global economies and ~~could result in disruptions in the supply of crude oil and natural gas. For example, the ongoing conflict, and the continuation of, or any increase in the severity of, the Russia- Ukraine conflict, has led and may continue to lead to an increase in the volatility of global oil and natural gas prices. Such disruptions~~ could have a material impact on both availability and price of oil and natural gas ~~and~~ **, which** could prevent us from meeting our financial and other obligations. Additionally, destructive forms of protest and opposition by extremists and other disruptions, including acts of sabotage or eco- terrorism, against oil and natural gas development and production activities could potentially result in personal injury to persons, damages to property, natural resources or the environment, or lead to extended interruptions of our or our customers' operations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our **or our** customers' operations is destroyed or damaged. **Expenses related to security and** ~~Costs~~ **costs** for insurance ~~and other security~~ may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all **. Complications with the design or implementation of our new enterprise resource planning system could adversely impact our business and operations. We rely extensively on information systems and technology to manage our business and summarize operating results. We are in the process of implementing a new enterprise resource planning (" ERP ") system. This ERP system will replace our existing operating and financial systems. The ERP system is designed to accurately maintain our financial records, enhance operational functionality and provide timely information to our management team related to the operation of the business. The ERP system implementation process will require the investment of personnel and financial resources. We may be unable to successfully implement the ERP system without experiencing delays, increased costs and other difficulties. If we are unable to successfully design and implement the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted. Additionally, if we do not effectively implement the ERP system as planned or the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be delayed** . We are subject to cybersecurity attacks on any of our facilities or those of third parties. A cyber incident could occur and result in information theft, data corruption, operational disruption and / or financial loss. The oil and gas industry has become increasingly dependent on digital technologies to conduct certain processing activities. For example, we depend on digital technologies to perform many of our services and to process and record financial and operating data. At the same time, cyber incidents, including deliberate attacks or unintentional events, have increased. The U. S. government has issued public warnings that indicate that energy assets might be specific targets of cybersecurity threats. Our technologies, systems and networks, and those of our vendors, suppliers and other business partners, may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Our financial results could also be adversely affected if an employee causes our systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our systems. In addition, dependence upon automated systems may further increase the risk related to operational system flaws, and employee tampering or manipulation of those systems will result in losses that are difficult to detect. Further, the increasing prevalence of remote work arrangements among our own employees and those of third parties may increase the risk of cyber incidents. Our systems for protecting against cybersecurity risks may not be sufficient. As cyber incidents continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to ~~cyber~~ **40cyber** incidents. Our insurance coverage for cyber attacks may not be sufficient to cover all the losses we may experience as a result of such cyber attacks. A cyber attack or security breach could result in liability under data privacy laws, regulatory penalties, damage to our reputation or loss of confidence in us, or ~~42additional~~ -- **additional** costs for remediation and modification or enhancement of our information systems to prevent future occurrences, all of which could have a material and adverse effect on our business, financial condition or results of operations. Risks Related to Our Legal and Regulatory EnvironmentRestrictions on the ability to procure water or changes in water sourcing requirements could decrease the demand for our services. Our business includes water transfer for use in our customers' oil and gas E & P activities. Our access to the water we supply may be limited due to reasons such as prolonged drought or our inability to acquire or maintain water sourcing permits or other rights. In addition, some state and local governmental authorities have begun to monitor or restrict the use of water subject to their jurisdiction for hydraulic fracturing to ensure adequate local water supply. For instance, some states require E & P companies to report certain information regarding the water they use for hydraulic fracturing and to monitor the quality of groundwater surrounding some wells stimulated by hydraulic fracturing. Any such decrease in the availability of water, or demand for water services, could adversely affect our business and results of operations .In the future we may face increased obligations relating to the closing of our produced water handling facilities and may be required to provide an increased level of financial assurance to guarantee the appropriate closure activities occur for a produced water handling facility.Obtaining a permit to own or operate produced water handling facilities generally requires us to establish performance bonds,letters of credit or other forms of financial assurance to address clean- up and closure obligations.As we acquire additional produced water handling facilities or construct additional produced water handling facilities,these obligations will increase.Additionally,in the future,regulatory agencies may require us to increase the amount of our closure bonds at existing produced water handling facilities.Asset retirement obligations related to future closure obligations of our produced water handling facilities totaled $ 19.8 million as of December 31, ~~2022~~ **2023** .Moreover,actual costs could exceed our current expectations,as a result of,among other things,federal,state or local government regulatory action,increased costs charged by service providers that assist in closing produced water handling facilities and additional environmental remediation requirements.The obligation to satisfy increased regulatory requirements associated with our produced water handling facilities could result in an increase of our operating costs and have a material adverse effect on our business,financial position and results of operations.Our sales of groundwater and our gathering,handling and recycling of produced water expose us to potential regulatory risks.There are unique risks associated with recycling and / or handling produced water and the legal requirements related to handling produced water,or the disposal of produced water into a non-producing geologic formation by means of underground injection wells,are subject to change based on concerns of the public or governmental authorities.There remains substantial uncertainty regarding the disposal of produced water by means of underground injection wells,which could result in substantial additional liabilities or costs to us that cannot be predicted.These include liabilities related to the handling,treatment,storage,disposal,transport,release and use of radioactive materials,which could be in produced water received from our oil and natural gas producer customers,and uncertainties regarding the ultimate,and potential exposure to,technical and financial risks associated with modifying or decommissioning produced water handling facilities.Federal or state regulatory agencies could require the shutdown of produced water handling facilities for safety reasons or refuse to permit restart of any facility after unplanned or planned outages.New or amended safety requirements and regulatory laws may give rise to additional operation and maintenance costs and capital expenditures.Additionally,aging equipment may require more capital expenditures to keep each of these ~~produced~~ **41produced** water handling facilities operating efficiently or in compliance with applicable laws and regulations.This equipment is also likely to require periodic upgrading and improvement in order to maintain compliance and probability.Although the safety record of produced water handling generally has been very good,accidents and other unforeseen problems have occurred.The consequences of a major incident could be severe and include loss of life and property damage.Any resulting liability from a major environmental or catastrophic incident could exceed our resources,including insurance coverage **.Unsatisfactory safety performance may negatively affect our customer relationships and,to the extent we fail to retain existing customers or attract new customers,adversely impact our revenues.Our ability to retain existing customers and attract new business is dependent on many factors,including our ability to demonstrate that we can reliably and safely operate our business and stay current on constantly changing rules,regulations,training and laws.If one or more accidents were to occur at one of our operating sites,the affected customer might seek to terminate or cancel its use of our facilities or services,which could cause us to lose substantial revenues.A deterioration of our safety record could also negatively impact our ability to attract and retain other customers** .Fuel conservation measures could reduce demand for oil and natural gas which would,in turn,reduce the demand for our services.Fuel conservation measures,alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas could reduce demand for oil and natural gas.The impact of the changing demand for oil and natural gas may have a material adverse effect on our business,financial condition,prospects,results of ~~44operations~~ -- **operations** and cash flows.Additionally,the increased competitiveness of alternative energy sources (such as wind,solar,geothermal,tidal,fuel cells and biofuels) could reduce demand for hydrocarbons and therefore for our services,which would lead to a reduction in our revenues ~~.We may be subject to claims for personal injury and property damage,which could materially adversely affect our financial condition and results of operations.We operate with most of our customers under water services agreements that endeavor to allocate potential liabilities and risks between the parties.As part of that allocation,we generally agree to certain indemnification obligations in connection with the services we provide,such as agreeing to indemnify our customers for liabilities arising from personal injury to or death of any of our employees,unless resulting from gross negligence or willful misconduct of the customer,and agreeing to indemnify our customers for loss or destruction of property or equipment we own.Even if our customers agree to indemnify us in certain cases as part of the potential liability and risk allocation in our agreement,we may nevertheless have liability in such cases if we are negligent or commit willful acts.We may also not succeed in enforcing the contractual allocation of potential liability and risk in our agreements,we may incur an unforeseen liability falling outside the scope of such allocation or we may be required to enter into a water services agreement in which such allocation is otherwise unfavorable to us.As a result,we may incur substantial losses which could materially and adversely affect our financial condition and results of operations.Unsatisfactory safety performance may negatively affect our customer relationships and,to the extent we fail to retain existing customers or attract new customers,adversely impact our revenues.Our ability to retain existing customers and attract new business is dependent on many factors,including our ability to demonstrate that we can reliably and safely operate our business and stay current on constantly changing rules,regulations,training and laws.Existing and potential customers consider the safety record of their service providers to be of high importance in their decision to engage third- party services.If one or more accidents were to occur at one of our operating sites,the affected customer may seek to terminate or cancel its use of our facilities or services and may be less likely to continue to use our services,which could cause us to lose substantial revenues.Further,our ability to attract new customers may be impaired if they elect not to purchase our third- party services because they view our safety record as unacceptable.In addition,it is possible that we will experience numerous or particularly severe accidents in the future,causing our safety record to deteriorate.This may be more likely as we continue to grow,if we experience high employee turnover or labor shortage,or add inexperienced personnel~~ .We are subject to environmental and occupational health and safety laws and regulations that may expose us to significant liabilities for penalties,damages or costs of remediation or compliance.Our operations and the operations of our customers are subject to federal,state and local laws and regulations in the U.S.relating to protection of natural resources and the environment,health and safety aspects of our operations and waste management,including the disposal of waste and other materials.These laws and regulations may impose numerous obligations on our operations and the operations of our customers,including the acquisition of permits to take fresh water from surface and underground sources,construct pipelines or containment facilities,drill wells or conduct other regulated activities,the incurrence of capital expenditures to mitigate or prevent releases of materials from our facilities or from customer locations where we are providing services,the imposition of substantial liabilities for pollution resulting from our operations,and the application of specific health and safety criteria addressing worker protection.Any failure on our part or the part of our customers to comply with these laws and regulations could result in the impairment or cancellation of operations,assessment of sanctions,including administrative,civil and criminal penalties,injunctions,reputational damage,the imposition of investigatory,remedial,and corrective action obligations or the incurrence of capital expenditures;the occurrence of restrictions,delays or cancellations in the permitting,development or expansion of projects;and the issuance of injunctions restricting or prohibiting some or all of our activities in a particular area. ~~45Our~~ -- **Our** business activities present risks of incurring significant environmental regulatory compliance costs and liabilities,including costs and liabilities resulting **from our handling of byproducts of the oil and natural gas production process,because of air emissions and produced water discharges related to our operations.Our businesses include the operation of recycling facilities and oilfield waste disposal injection wells that pose risks of environmental liability,including leakage or accidental spills from the wells to surface or subsurface soils,surface water or groundwater.In addition,private parties,including the owners of properties upon which we perform services and facilities where our wastes are taken for recycling or disposal,also may have the right to pursue legal actions to enforce compliance as well as to seek damages for non- compliance with 42environmental laws and regulations or for personal injury or property or natural resource damages.Some environmental laws and regulations may impose strict and / or joint and several liability,which means that in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of,or conditions (such as environmental contamination) caused by,prior operators or other third parties.Remedial costs and other damages arising as a result of environmental laws and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on our liquidity,results of operations and financial condition.Over time,laws and regulations protecting the environment generally have the tendency to become more stringent,potentially leading to material increases in costs for future environmental compliance and remediation.The adoption of any new laws or regulations,amendment of existing laws and regulations,changes in interpretation of legal requirements or increased enforcement could restrict,delay or cancel exploratory or developmental drilling for oil and gas and could limit well servicing opportunities.We may not be able to recover some or any of our costs of compliance with these laws and regulations from insurance** . Legislation or regulatory initiatives intended to address seismic activity could restrict our ability to recycle or handle produced water gathered from our E & P customers and, accordingly, could have a material adverse effect on our business. Recent seismic events in the U. S. near underground disposal wells used for the disposal by injection of produced water resulting from oil and gas activities, including recent seismic events occurring in the Permian Basin near Midland, Texas, have led to concerns of the public or governmental authorities regarding disposal activities. In response to concerns regarding induced seismicity, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells to assess any relationship between seismicity and the use of such wells. Among other things, these rules require companies seeking permits for disposal wells to provide seismic activity data in permit applications, provide for more frequent monitoring and reporting for certain wells and allow the state to modify, suspend or terminate permits on grounds that a disposal well is likely to be, or determined to be, causing seismic activity. States have **also** issued **, and may in the future issue,** orders to temporarily shut down or to curtail the injection depth of existing wells in the vicinity of seismic events ~~. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation that limits or prohibits oil and natural gas activities utilizing injection wells for produced water disposal~~ . We currently operate in the states of New Mexico and Texas, where the NMOCD and TRC have recently addressed seismic activity in their respective states by curtailing injected volumes and / or suspending certain permits for disposal wells injecting into deep strata. See Items 1. and 2. Business and Properties ~~—~~ **–** Regulation ~~—~~ **–** Environmental and Occupational Safety and Health Matters ~~—~~ **–** Water handling facilities and seismicity for recent changes in regulations. We currently operate wells in the SRAs in Texas and New Mexico. Should the TRC **or NMOCD** take additional action in the existing SRAs or establish new SRAs near our operations, it could have a significant adverse effect on our business. Additionally, the adoption and implementation of any new laws, regulations or directives that restrict our ability to dispose of produced water gathered from our customers by limiting volumes, disposal rates, disposal well locations or otherwise, or requiring us to shut down disposal wells, could have a material adverse effect on our business, financial condition, and results of operations. See Part II, Item 7. Management' s Discussion and Analysis of Results of Operations ~~—~~ **–** General Trends and Outlook ~~—~~ **–** Seismicity for a discussion of the impact on our business. Additional potential consequences of seismic activity are lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection ~~43wells~~ -- **wells** . Increased regulation and attention given to induced seismicity could lead to greater opposition to oil and gas activities utilizing injection wells for waste disposal. The adoption and implementation of any new laws, regulations or directives that restrict our ability to recycle or handle produced water gathered from our customers by limiting volumes, disposal rates, disposal well locations or otherwise, or requiring us to shut down disposal wells, or our inability to serve our customers as required by our contracts, could result in asset ~~impairment~~ **43impairment** and could have a material adverse effect on our business, financial condition and results of operations . In the future we may face...... with these laws and regulations from insurance . Climate change legislation, laws and regulations restricting GHG emissions, promoting the development of alternative sources of energy, prohibiting, restricting, or delaying oil and gas development on public lands, or legal or other action taken by public or private entities related to climate change could force our customers to incur increased capital and operating costs and could have a material adverse effect on our financial condition, results of operations and cash flows, as well as our reputation. ~~In recent years~~ **As discussed above in Items 1. and 2. Business and Properties – Regulation – Environmental and Occupational Safety and Health Matters** , international, federal, state and local governments have taken steps to reduce GHG ~~emissions. The EPA has finalized a series of GHG monitoring, reporting and emissions control rules~~

~~for the oil and natural gas industry, and the U. S. Congress has, from time to time, considered adopting legislation to reduce~~ emissions. Given the long- term trend toward increasing regulation, future federal GHG regulations of the oil and gas industry remain a possibility, and states in the US have taken measures to reduce GHG emissions primarily through the development of GHG emission inventories and / or regional GHG cap- and- trade programs. ~~During 2022, the administration has focused on addressing climate change and is likely to take executive action or support legislation in furtherance of achieving certain GHG emissions goals. In February 2021, the United States rejoined the Paris Agreement. In April 2021, President Biden set a new goal for the United States to achieve a 50- 52 % reduction from 2005 levels in economy- wide net GHG pollution in 2030. Further, in November 2021, the United States and other countries entered into the Glasgow Climate Pact, which includes a range of measures designed to address climate change, including but not limited to the phase- out of fossil fuel subsidies, reducing methane emissions 30 % by 2030, and cooperating toward the advancement of the development of clean energy. In August 2022, the Inflationary Reduction Act of 2022 was enacted and included a $ 369 billion investment in modernizing the American energy system. The legislation is aimed at helping the United States to achieve the 50- 52 % reduction of GHGs from 2005 levels by 2030.~~ The adoption of legislation or regulatory programs or other government action to reduce emissions of GHGs or restrict, delay or prohibit oil and gas development on public lands could **further** require our customers and us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or to comply with new regulatory or reporting requirements, or prevent us from conducting operations in certain areas. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and gas our customers produce. **Additionally, political, financial and litigation risks may result in our customers restricting, delaying or canceling production activities or impairing the ability to continue to operate in an economic manner.** Consequently, ~~46legislation~~ -- **legislation** and regulatory programs to reduce emissions of GHGs could have an adverse effect on our business, financial condition, results of operations and cash flows. In addition, some scientists have concluded that increasing concentrations of GHGs in the Earth' s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If such climatic events were to occur more frequently or with greater intensity, our customers' exploration and development activities could be adversely affected, as these events could cause a loss of production from temporary cessation of activity or damaged facilities and equipment. If any such events were to occur, they could have an adverse effect on the demand for our services and our financial condition, results of operations and cash flows. For a more complete discussion of environmental laws and regulations intended to address climate change and their impact on our business and operations, see Items 1. and 2. Business and Properties ─ Regulation ─ Environmental and Occupational Safety and Health Matters. **For a discussion of the** ~~There have also been efforts in recent years to~~ influence **of environmental laws and regulations intended to address climate change on** the investment community, ~~including investment advisors and~~ **see Risk Factor titled " There is** ~~certain~~ **uncertainty** ~~sovereign wealth, pension~~ **related to the future profitability of the oil** and **natural** ~~endowment funds, as~~ **gas industry broadly** ~~well as other stakeholders, promoting divestment of fossil fuel equities and pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves~~ . **"** ~~Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could reduce the demand for our services and interfere with our customers' business activities and operations.~~ A portion of our customers' oil and gas leases are granted by the federal government. To the extent such leases are suspended or terminated, or we or our customers are unable to obtain permits or right- of- way grants required for operations on such leases, our operations could be materially affected. A portion of our customers' leases in New Mexico are granted by the federal government and administered by the ~~Bureau of Land Management ("~~ BLM ~~")~~ , a federal agency. Operations conducted by us and our customers on federal oil and gas leases must comply with numerous additional statutory and regulatory restrictions, including permitting obligations. In addition, the U. S. Department of the Interior (via various of its agencies, including the BLM and the Office of Natural Resources Revenue) has certain authority over our activities on federal and tribal lands. These leases contain relatively standardized terms requiring compliance with detailed regulations. Under certain ~~circumstances~~ **44circumstances** , the BLM may require operations on federal leases to be suspended or terminated or may deny permits or right- of- way grants required for operations on such leases. Any such suspension or termination, or inability to obtain required permits or right- of- way grants, could materially and adversely affect our interests. Additionally, as noted above, the Biden Administration has taken several actions to curtail oil and gas activities on federal lands, including, for example, taking a pause on new oil and natural gas leases on public lands or in offshore waters. Although the Department of the Interior has resumed processing oil and gas drilling permits, we cannot guarantee that further action will not be taken that could curtail or limit oil and gas development on federal land. Further, environmental incidents such as the Macondo well incident could result in similar drilling moratoria, and could result in increased federal, state, and international regulation of our and our customers' operations that could negatively impact our earnings, prospects and the availability and cost of insurance coverage. Any additional regulation of the exploration and production industry as a whole could result in fewer companies being financially qualified to operate offshore or onshore in the U. S. or in non- U. S. jurisdictions, resulting in higher operating costs for our customers and reduced demand for our products and services. ~~47Federal~~ -- **Federal,** state and local legislation and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs and additional operating restrictions, delays or cancellations in the drilling and completion of oil and gas wells that may reduce demand for our services and could have a material adverse effect on our liquidity, consolidated results of operations and consolidated financial condition. We do not conduct hydraulic fracturing operations, but many of our customers' oil and natural gas production operations require hydraulic fracturing as part of the well completion process. ~~Hydraulic fracturing involves the injection of water, sand or other propping agents and chemicals under pressure into rock formations to stimulate oil and gas production.~~ Although certain aspects of hydraulic fracturing operations ~~, including the use of diesel fuel in fracturing fluids, capture of volatile organic compounds released during hydraulic fracturing and discharge of wastewater,~~ are subject to current guidance or regulation, Congress has not adopted legislation to provide for federal regulation of hydraulic fracturing; however, President Biden could seek to pursue legislative, regulatory or executive initiatives that restrict hydraulic fracturing activities, though we cannot predict when or the scope of any such legislation at this time. In addition, a number of states and local regulatory authorities and federal politicians are considering or have implemented more stringent regulatory requirements applicable to hydraulic fracturing, including bans / moratoria on drilling that effectively prohibit further production of oil and gas through the use of hydraulic fracturing or similar operations. The adoption of new laws or regulations imposing reporting or operational obligations on, or otherwise limiting or prohibiting, the hydraulic fracturing process could make it more difficult for our customers to complete oil and gas wells in unconventional plays. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA, hydraulic fracturing activities could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in cost, which could adversely affect the demand for our services and results of operations. Restrictions on drilling and related activities intended to protect certain species of wildlife or their habitat may adversely affect our customers' ability to conduct drilling and related activities in some of the areas where we operate. Various federal and state statutes prohibit certain actions that harm endangered or threatened species and their habitats, migratory birds, wetlands and natural resources. These statutes include the ESA, the MBTA, the BGEPA, the CWA, CERCLA and the OPA. The U. S. Fish and Wildlife Service may designate critical habitat and suitable habitat areas that it believes are necessary for survival of threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions to federal land use and private land use and could delay or prohibit our customers' land access or oil and gas development. If adverse impact to species or damages to wetlands, habitat or natural resources occur or may ~~occur~~ **45occur** as result of our or our customers' activities, government entities or, at times, private parties may act to prevent such activities or seek damages for harm to species, habitat or natural resources resulting from our activities or our customers' drilling, construction or releases of oil, wastes, hazardous substances or other regulated materials, which could reduce the demand for our services. For example, **on June 30, 2023,** ~~there~~ -- **the** ~~have been repeated calls for the USFWS to list~~ **U. S. Fish and Wildlife Service proposed that** the dunes sagebrush lizard, which is found ~~only~~ in ~~the active and semi- stable shinnery oak dunes of Southeastern New Mexico and adjacent portions of Texas, including~~ areas where we operate **, be listed as endangered under the ESA. The comment period on the proposed rule ended on October 2, 2023** . The lesser prairie- chicken, which can also be found in areas where we operate, was listed under the ESA effective January 24, 2023. **To** ~~Although the dunes sagebrush lizard has not yet been listed under the ESA, to~~ the extent ~~the lesser prairie- chicken or other~~ species are listed under the ESA or similar state laws, or previously unprotected species are designated as threatened or endangered in areas where our assets and operations are located, operations in those areas could incur increased costs arising from species protection measures and face delays or limitations with respect to production activities thereon. ~~48Delays~~ -- **Delays** or restrictions in obtaining or renewing permits by us for our operations or by our customers for their operations could impair our business. Our operations and the operations of our oil and gas producing customers typically require that we and our customers obtain and maintain a number of permits from one or more governmental agencies in order to perform drilling and completion activities, secure water rights, construct impoundments tanks, and construct and operate pipelines, handling facilities and recycling facilities. Many of these permits require a significant amount of monitoring, record keeping and reporting in order to demonstrate compliance with the underlying permit. Noncompliance or incomplete documentation of our compliance status may result in the imposition of fines, penalties and injunctive relief. Such permits are typically issued by state agencies, but federal and local governmental permits may also be required. As of December 31, ~~2022~~ **2023** , we had permits for (i) ~~205~~ **approximately 220** miles of pipelines, (ii) ~~42~~ **35** produced water handling facilities and (iii) ~~5~~ **6** recycling facilities that, in each case, have not been constructed. We may not be able to achieve commercial operations on any particular permitted site. A decision by a governmental agency to deny or delay the renewal of any of these permits or other approval, or to revoke or substantially modify an existing permit or other approval, could adversely affect our ability to initiate or complete construction of any of these pipelines or facilities and we can provide no assurance that we will complete these projects on schedule, or at all. Additionally, these permits were issued pursuant to existing laws and regulations that are subject to change, which could result in the imposition of more stringent requirements and impair our ability to initiate or complete the construction of these pipelines and facilities. In addition, some of our customers' drilling and completion activities in the U. S. may take place on federal land or Native American lands, requiring leases and other approvals from the federal government or Native American tribes to conduct such drilling and completion activities. Under certain circumstances, federal agencies may cancel proposed leases for federal lands and refuse to grant or delay required approvals. Therefore, our customers' operations in certain areas of the U. S. may be interrupted or suspended for varying lengths of time, causing a loss of revenue to us and adversely affecting our results of operations in support of those customers. Risks Related to the Ownership of Our Class A Common StockWe are a holding company. Our sole material asset is our equity interest in Solaris LLC and we are accordingly dependent upon distributions from Solaris LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses. We are a holding company and have no material assets other than our equity interest in Solaris LLC. See Items 1. and 2. Business and Property ~~—~~ **–** Organizational Structure and Corporate Information ~~—~~ **–** Corporate Reorganization. We have no independent means of generating revenue. To the extent Solaris LLC has available cash, we intend to cause Solaris LLC to make (i) generally pro rata advance distributions to Aris Inc. ~~in~~ **46in** an amount at least sufficient to allow us to pay our taxes, (ii) non- pro rata advance distributions to allow us to make payments under the Tax Receivable Agreement we have entered into with the TRA Holders and any subsequent tax receivable agreements that we may enter into in connection with future acquisitions and (iii) non- pro rata payments to us to reimburse us for our corporate and other overhead expenses. To the extent that we need funds and Solaris LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of the ~~credit~~ **Credit** ~~facility~~ **Facility** , the indenture governing the Notes or any future financing arrangements, or are otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected. Moreover, because we have no independent means of generating revenue, our ability to make payments under the Tax Receivable Agreement is dependent on the ability of Solaris LLC to make distributions to us in an amount sufficient to cover our obligations under the Tax Receivable Agreement. This ability, in turn, may depend on the ability of Solaris LLC' s subsidiaries to make distributions to it. The ability of Solaris LLC, its subsidiaries and other entities in which it directly or indirectly holds an equity interest to make such distributions will be subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable jurisdiction) that may limit the amount of funds available for distribution and (ii) restrictions in ~~49relevant~~ - - **relevant** debt instruments issued by Solaris LLC or its subsidiaries and / other entities in which it directly or indirectly holds an equity interest. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest until paid. For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies. We are classified as an " emerging growth company " under the JOBS Act. For as long as we are an emerging growth company, we will not be required to, among other things: (i) provide an auditor' s attestation report on management' s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 (b) of the Sarbanes- Oxley Act; (ii) comply with any new requirements if adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor' s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain an emerging growth company up until the last day of the fiscal year following the fifth anniversary of our IPO, or such earlier time that we have more than $ 1. 235 billion of revenues in a fiscal year, have more than $ 700. 0 million in market value of our common stock held by non- affiliates (and have been a public company for at least 12 months), or issue more than $ 1. 0 billion of non- convertible debt over a three- year period. To the extent that we rely on any of the exemptions available to emerging growth companies, there will be less information available about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our Class A common stock to be less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile. In addition, once we are no longer an emerging growth company, compliance with rules and regulations that do not currently apply to us as an emerging growth company may increase our compliance costs, may make some activities more difficult or time- consuming, and may otherwise strain our systems and resources and distract management. Our principal stockholders collectively hold a substantial portion of the voting power of our common stock. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our amended and restated certificate of incorporation. As of December 31, ~~2022~~ **2023** , the Legacy Owners ~~of~~ **47of** Solaris LLC own 100 % of our Class B common stock equating to a 48 % economic and voting power interest in Solaris LLC of which, (i) ConocoPhillips owns approximately 47 % of our Class B common stock and an approximate 22 % economic interest and voting power and (ii) Yorktown Energy Partners XI, L. P. (" Yorktown ") owns approximately 37 % of our Class B common stock and an approximate 18 % economic interest and voting power. Although the owners of our Class B common stock are entitled to act separately in their own respective interests with respect to their ownership in us, if they choose to act in concert, they will together have the ability to strongly influence all matters requiring stockholder approval, including mergers and other material transactions, as well as the composition of our Board or a change in control of our company that could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of a sale of our company. The existence of significant stockholders may also have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company. ~~50In~~ **In** addition, we entered into a director nomination agreement with affiliates of ConocoPhillips and Yorktown in connection with the closing of the IPO. The director nomination agreement provided such holders with the right, but not the obligation, to nominate directors for election to our Board as follows: (i) ConocoPhillips has the right to nominate one nominee for election to our Board for so long as ConocoPhillips and its affiliates beneficially own at least 12. 5 % of the voting power of our common stock and such nominee will be a Class III director and (ii) Yorktown has the right to nominate one nominee for election to our Board for so long as Yorktown and its affiliates beneficially own at least 12. 5 % of the voting power of our common stock and such nominee will be a Class I director. In addition, each of ConocoPhillips and Yorktown are entitled to designate the successor for its respective Board designee whose Board service terminates prior to the end of the director' s term. The rights of each of ConocoPhillips and Yorktown will terminate on the date when such holder ceases to beneficially own at least 12. 5 % of the voting power of our common stock (or earlier upon written notice by such holder agreeing to terminate its rights under the agreement). So long as the owners of our Class B common stock continue to control a significant amount of our common stock, each will continue to be able to strongly influence all matters requiring stockholder approval, regardless of whether or not other stockholders believe that a potential transaction is in their own best interests. In any of these matters, the interests of the owners of our Class B common stock may differ or conflict with the interests of our other stockholders. In addition, certain of the owners of our Class B common stock and their respective affiliates may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers. Such owners of our Class B common stock and their respective affiliates may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue. Moreover, this concentration of stock ownership may also adversely affect the trading price of our Class A common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders. Certain of our directors have significant duties with, and spend significant time serving, entities that may compete with us in seeking acquisitions and business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities. Certain of our directors hold positions of responsibility with other entities (including affiliated entities) that are in the oil and natural gas industry. These directors may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. ~~Certain~~ **48Certain** Designated Parties are not limited in their ability to compete with us, and the corporate opportunity provisions in our amended and restated certificate of incorporation could enable such Designated Parties and their respective affiliates to benefit from corporate opportunities that might otherwise be available to us. Our governing documents provide that Yorktown and COG Operating LLC, a wholly-owned subsidiary of ConocoPhillips, and their respective interests in other entities and affiliates (collectively, the " Designated Parties ") are not restricted from owning assets or engaging in businesses that compete directly or indirectly with us. In particular, subject to the limitations of applicable law, our amended and restated certificate of incorporation, among other things: ● permits such Designated Parties to conduct business that competes with us and to make investments in any kind of property in which we may make investments; ~~and51~~ -- **and** ● provides that if such Designated Parties, or any employee, partner, member, manager, officer or director of such Designated Parties who is also one of our directors, becomes aware of a potential business opportunity, transaction or other matter, they will have no duty to communicate or offer that opportunity to us. The Designated Parties may become aware, from time to time, of certain business opportunities (such as acquisition opportunities) and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Furthermore, such businesses may choose to compete with us for these opportunities, possibly causing these opportunities to not be available to us or causing them to be more expensive for us to pursue. Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares. Our amended and restated certificate of incorporation authorizes our Board to issue preferred stock without stockholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our Board elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. These provisions include: ● dividing our Board into three classes of directors, with each class serving staggered three- year terms; ● providing that all vacancies, including newly created directorships, shall, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum (prior to such time, vacancies may also be filled by stockholders holding a majority of the outstanding shares); ● permitting any action by stockholders to be taken only at an annual meeting or special meeting rather than by a written consent of the stockholders, subject to the rights of any series of preferred stock with respect to such rights; **49** ● permitting special meetings of our stockholders to be called only by our Board pursuant to a resolution adopted by the affirmative vote of a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships; ● requiring the affirmative vote of the holders of at least 66- 2 / 3 % in voting power of all then outstanding common stock entitled to vote generally in the election of directors, voting together as a single class, to remove any or all of the directors from office at any time, and directors will be removable only for " cause "; ● prohibiting cumulative voting in the election of directors; ● establishing advance notice provisions for stockholder proposals and nominations for elections to the Board to be acted upon at meetings of stockholders; ● requiring the approval of the affirmative vote of the holders of at least 66- 2 / 3 % of all then outstanding common stock entitled to vote thereon, voting together as a single class, to amend certain provisions of the amended and restated certificate of incorporation and amended and restated bylaws; ~~and52~~ -- **and** ● providing that the Board is expressly authorized to adopt, or to alter or repeal our bylaws. In addition, we are a Delaware corporation and governed by the ~~Delaware General Corporation Law ("~~ DGCL ~~")~~. In general, Section 203 of the DGCL, an anti- takeover law, prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15 % or more of the corporation' s voting stock, which person or group is considered an interested stockholder under the DGCL, for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. We elected in our certificate of incorporation not to be subject to Section 203. However, our certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that the Designated Parties, their affiliates, and their respective successors (other than our company), as well as their direct and indirect transferees, are not deemed to be " interested stockholders, " regardless of the percentage of our voting stock owned by them, and accordingly are not subject to such restrictions. In addition, certain change of control events have the effect of accelerating the payment due under the Tax Receivable Agreement, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. See – In certain cases, payments under the Tax Receivable Agreement may be accelerated and / or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement. Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and the federal district courts as the exclusive forum for Securities Act claims, which could limit our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our amended and restated certificate of incorporation provides that, unless we select or consent in writing to the selection of an alternative forum, all complaints asserting any internal corporate claims (defined as claims, including claims in the right of our Company: (i) that are based upon a violation of a duty by a current or former director, officer, employee, or stockholder in such capacity; or (ii) as to which the DGCL confers jurisdiction upon the Court of Chancery), to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, subject matter jurisdiction, another state court or a federal court located within the State of Delaware). Further, unless we select or consent to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Our choice of forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act and investors ~~cannot~~ **50cannot** waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. We cannot assure that we will pay any future dividends on our Class A common stock. Our indebtedness could limit our ability to pay future dividends on our Class A common stock. Any payment of any future dividends will be at the discretion of our Board, which comprises a majority of independent directors. We have not adopted and do not expect to adopt a written dividend policy. Although our Board declared quarterly dividends on our Class A common stock for ~~the fourth quarter of 2021 and~~ each quarter of 2022 **and 2023** , our Board may determine not to declare any cash dividends in the future. Such decision will ~~53depend~~ -- **depend** on, among other things, our financial condition, results of operations, projections, liquidity, earnings, legal requirements, and restrictions in our debt. In addition, our ability to pay dividends depends on our receipt of distributions from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any indebtedness we or our subsidiaries incur, including the ~~Restated~~ Credit Agreement **(as defined in Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Debt Agreements)** and the indenture that governs our Notes. For more information about these restrictions, see Part II, Item 5. Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Our Dividend and Distribution Policy. Future sales of our Class A common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute ownership in us. We may sell additional shares of our Class A common stock in future offerings. In addition, subject to certain limitations and exceptions, the Legacy Owners of Solaris LLC units may redeem their Solaris LLC units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock (on a one- for- one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock. As of December 31, ~~2022~~ **2023** we had ~~29~~ **30** , ~~919~~ **251** , ~~217~~ **613** outstanding shares of Class A common stock and 27, ~~575~~ **543** , ~~519~~ **565** outstanding shares of Class B common stock. Shares of Class B common stock represented approximately 48 % of our total outstanding common stock. All such shares were restricted from immediate resale under the federal securities laws and were subject to the lock- up agreements between such parties and the underwriters until the expiration of the lock- up agreements on April 19, 2022. These shares may be sold into the market in the future. Certain of the owners of our Class B shares are party to a registration rights agreement with us that requires us to effect the registration of their shares in certain circumstances no earlier than the expiration of the lock- up period. We have also filed a registration statement with the SEC on Form S- 8 providing for the registration of 5, 350, 000 shares of our Class A common stock issued or reserved for issuance under our 2021 Equity Incentive Plan. Subject to the satisfaction of vesting conditions, the expiration of lock- up agreements and the requirements of Rule 144, shares registered under the registration statement on Form S- 8 may be made available for resale immediately in the public market without restriction. We cannot predict the size of future issuances of our Class A common stock or securities convertible into Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common ~~stock~~ **51stock** will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock. This impact could be increased to the extent there is a less active trading market for our shares. Aris Inc. will be required to make payments under the Tax Receivable Agreement for certain tax benefits that it may claim, and the amounts of such payments could be significant. In connection with the closing of the IPO, Aris Inc. entered into a Tax Receivable Agreement with the TRA Holders. This agreement generally provides for the payment by Aris Inc. to each TRA Holder of 85 % of the net cash savings, if any, in U. S. federal, state and local income tax and franchise tax that Aris Inc. actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the IPO as a result of certain increases in tax basis and deemed interest deductions arising from these payments. Aris Inc. will retain the remaining 15 % of these cash savings. The term of the Tax Receivable Agreement commenced on October 26, 2021 and will continue until all tax benefits that are subject to the Tax Receivable Agreement have been utilized or expired, unless we exercise our right to terminate the Tax Receivable Agreement (or the Tax Receivable Agreement is terminated due to ~~54other~~ -- **other** circumstances, including our breach of a material obligation thereunder or certain mergers, asset sales, other forms of business combination or other changes of control), and we make the termination payment specified in the Tax Receivable Agreement. The payment obligations under the Tax Receivable Agreement are Aris Inc.' s obligations and not obligations of Solaris LLC. For the year ended December 31, ~~2022~~ **2023** , we made no payments under the Tax Receivable Agreement. However, we expect that the payments we will be required to make under the Tax Receivable Agreement in the future will be substantial over the life of the agreement. We could also be required to make a lump- sum payment as discussed in the following risk factor. Estimating the amount and timing of payments that may become due under the Tax Receivable Agreement is by its nature imprecise. For purposes of the Tax Receivable Agreement, cash savings in tax generally are calculated by comparing our actual tax liability (determined by using the actual applicable U. S. federal income tax rate and an assumed combined state and local income and franchise tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the Tax Receivable Agreement. The actual increase in tax basis that may result in cash tax savings to Aris Inc. under the Tax Receivable Agreement, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of any acquisition or redemption of Solaris LLC units, the price of our Class A common stock at the time of each acquisition or redemption, the extent to which such acquisition or redemption is a taxable transaction, the amount and timing of the taxable income we generate in the future, the U. S. federal income tax rates then applicable, and the portion of our payments under the Tax Receivable Agreement that give rise to depreciable or amortizable tax basis. The payments under the Tax Receivable Agreement will not be conditioned upon a holder of rights under the Tax Receivable Agreement having a continued ownership interest in us. See Items 1. and 2. – Business and Properties – Organizational Structure and Corporate Information – Tax Receivable Agreement. In certain cases, payments under the Tax Receivable Agreement may be accelerated and / or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement. If we experience a change of control (as defined under the Tax Receivable Agreement, which includes certain mergers, asset sales and other forms of business combinations and change of control events) or the Tax Receivable Agreement terminates early (at our election or as a result of our breach), we could be required to make an immediate lump- sum payment (or " early termination payment "). This payment would equal the present value of hypothetical future payments that could be required to be paid under the Tax Receivable ~~Agreement~~ **52Agreement** (determined by applying a discount rate of one- year ~~London Interbank Offered Rate (" LIBOR ")~~ **Term SOFR plus the related Benchmark Replacement Adjustment, as defined under the Tax Receivable Agreement,** plus 200 basis points). The calculation of hypothetical future payments will be based upon certain assumptions and deemed events set forth in the Tax Receivable Agreement, including that (i) we have sufficient taxable income to fully utilize the tax benefits covered by the Tax Receivable Agreement (including having sufficient taxable income to utilize any accumulated net operating loss carryforwards in the manner described in the Tax Receivable Agreement) and (ii) any Solaris LLC units (other than those held by Aris Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. As of December 31, ~~2022~~ **2023** , we estimate the liability associated with this lump- sum payment would be approximately $ 159. ~~0~~ **3** million, discounted. Any early termination payment may be made significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the termination payment relates. If we experience a change of control (as defined under the Tax Receivable Agreement) or the Tax Receivable Agreement otherwise terminates early, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales or other forms of business combinations or changes of control. See Items 1. and 2. – Business and Properties – Organizational Structure and Corporate Information – Tax Receivable Agreement. ~~55We~~ **We** will not be reimbursed for any payments made under the Tax Receivable Agreement in the event that any tax benefits are subsequently disallowed. Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the Tax Receivable Agreement if any tax benefits that have given rise to payments under the Tax Receivable Agreement are subsequently disallowed, except that excess payments made to any TRA Holder will be netted against payments that would otherwise be made to such TRA Holder, if any, after our determination of such excess. As a result, in such circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity. We may be required to pay additional taxes because of the U. S. federal partnership audit rules and potentially also state and local tax rules. Under the rules applicable to U. S. federal income tax audits of entities such as limited liability companies that are taxed as partnerships (which generally are effective for taxable years beginning after December 31, 2017), subject to certain exceptions, audit adjustments to items of income, gain, loss, deduction, or credit of an entity (and any holder' s share thereof) ~~is~~ **are** determined, and taxes, interest, and penalties attributable thereto, are assessed and collected, at the entity level. It is possible that these rules could result in Solaris LLC (or any of its applicable subsidiaries or other entities in which Solaris LLC directly or indirectly invests that are treated as partnerships for U. S. federal income tax purposes) being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a member of Solaris LLC (or such other entities), could be required to indirectly bear the economic burden of those taxes, interest, and penalties even though we may not otherwise have been required to pay additional corporate- level taxes as a result of the related audit adjustment. Audit adjustments for state or local tax purposes could similarly result in Solaris LLC (or any of its applicable subsidiaries or other entities in which Solaris LLC directly or indirectly invests) being required to pay or indirectly bear the economic burden of state or local taxes and associated interest, and penalties. Under certain circumstances, Solaris LLC or an entity in which Solaris LLC directly or indirectly invests may be eligible to make an election to cause members of Solaris LLC (or such other entity) to take into account the amount of any tax understatement, including any interest and penalties, in accordance with such member' s share in Solaris LLC in the year under audit. We will decide whether or not to cause Solaris LLC to ~~make~~ **53make** this election; however, there are circumstances in which the election may not be available and, in the case of an entity in which Solaris LLC directly or indirectly invests, such decision may be outside of our control. If Solaris LLC or an entity in which Solaris LLC directly or indirectly invests does not make this election, the then- current members of Solaris LLC (including Aris Inc.) could economically bear the burden of the understatement. If Solaris LLC were to become a publicly traded partnership taxable as a corporation for U. S. federal income tax purposes, Aris Inc. and Solaris LLC might be subject to potentially significant tax inefficiencies. We intend to operate such that Solaris LLC does not become a publicly traded partnership taxable as a corporation for U. S. federal income tax purposes. A " publicly traded partnership " is an entity like a limited liability company treated as a partnership for tax purposes and the interests of which are traded on an established securities market or readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, exchanges of Solaris LLC units pursuant to certain transfers of Solaris LLC units could cause Solaris LLC to be treated like a publicly traded partnership. From time to time the U. S. Congress has considered legislation to change the tax treatment of partnerships and there can be no assurance that any such legislation will not be enacted or if enacted will not be adverse to us. If Solaris LLC were to become a publicly traded partnership taxable as a corporation for U. S. federal income tax purposes, ~~56significant~~ -- **significant** tax inefficiencies might result for Aris Inc. and Solaris LLC, including as a result of Aris Inc.' s inability to file a consolidated U. S. federal income tax return with Solaris LLC. Aris Inc. depends on distributions from Solaris LLC to pay any dividends, if declared, taxes and other expenses. We are a holding company and our only business is to act as the managing member of Solaris LLC. We do not have any independent means of generating revenue. We anticipate that Solaris LLC will continue to be treated as a partnership for U. S. federal income tax purposes and, as such, generally will not be subject to any entity- level U. S. federal income tax, except as otherwise described above regarding partnership audit rules. Instead, taxable income will be allocated to the members of Solaris LLC. Accordingly, Aris Inc. will be required to pay income taxes on its allocable share of any net taxable income of Solaris LLC. Subject to funds being available for distribution, we intend to cause Solaris LLC to make tax distributions to Aris Inc. in an amount intended to enable Aris Inc. to pay certain applicable taxes. In addition, Solaris LLC will reimburse Aris Inc. for corporate and other overhead expenses. If the amount of tax distributions to be made exceeds the amount of funds available for distribution, Aris Inc. shall receive the full amount of its tax distribution before the other members receive any distribution and the balance, if any, of funds available for distribution shall be distributed to the other members. To the extent that Aris Inc. needs funds, and Solaris LLC is restricted from making such distributions under applicable laws or regulations, or is otherwise unable to provide such funds, it could materially and adversely affect Aris Inc.' s ability to pay dividends and taxes and other expenses and affect our liquidity and financial condition. In certain circumstances, Solaris LLC will be required to make distributions to us and the other members of Solaris LLC, and the distributions that Solaris LLC will be required to make may be substantial. Solaris LLC is expected to continue to be treated as a partnership for U. S. federal income tax purposes and, as such, is not subject to U. S. federal income tax. Instead, taxable income will be allocated to members, including Aris Inc. Pursuant to the Solaris LLC operating agreement and subject to funds being available for distribution, Solaris LLC will make tax distributions to Aris Inc. to help Aris Inc. pay taxes on its allocable share of Solaris LLC' s net taxable income. If an advance is made to Aris Inc. to enable it to pay certain applicable taxes, Aris Inc. will use commercially reasonable efforts to cause Solaris LLC to make advance distributions to each of the members of Solaris LLC. The advance distributions, if any, made to the members of Solaris LLC generally will be pro rata based on each member' s ownership of Solaris LLC units, calculated based on the amount distributed to Aris Inc. ~~Funds~~ **54Funds** used by Solaris LLC to satisfy its tax distribution obligations will not be available for reinvestment in our business. Moreover, the tax distributions Solaris LLC will be required to make may be substantial, and may significantly exceed (as a percentage of Solaris LLC' s income) the overall effective tax rate applicable to a similarly situated corporate taxpayer. In addition, because these payments will be calculated based on the anticipated tax liability of Aris Inc. at the time of each distribution, these payments may significantly exceed the actual tax liability for many of the members of Solaris LLC (including Aris Inc.). We may receive distributions significantly in excess of our tax liabilities. We may choose to manage these excess distributions through a number of different approaches, including through the payment of dividends to our Class A common stockholders or by applying them to other corporate purposes. We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock. Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock respecting dividends and distributions, as our Board may determine. The terms of one or more classes or series of preferred stock ~~57could~~ -- **could** adversely impact the voting power or value of our Class A common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition. We are subject to taxes by the U. S. federal, state, and local tax authorities. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: ● allocation of expenses to and among different jurisdictions; ● changes in the valuation of our deferred tax assets and liabilities; ● expected timing and amount of the release of any tax valuation allowances; ● tax effects of stock- based compensation; ● costs related to intercompany restructurings; ● changes in tax laws, tax treaties, regulations or interpretations thereof; or ● lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates. In addition, we may be subject to audits of our income, sales and other taxes by U. S. federal, state, and local, taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition. **55** ~~General Risk FactorsWe may be adversely affected by uncertainty in the global financial markets and a worldwide economic downturn. Our future results may be impacted by uncertainty caused by a worldwide economic downturn, continued volatility or deterioration in the debt and equity capital markets, changes in interest rates, continued high inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a~~

~~reduction in our customers' spending and their non- payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments. Additionally, credit market conditions may change, slowing our collection efforts as customers may experience increased difficulty in obtaining requisite financing, potentially leading to lost revenue and higher than normal accounts receivable. In the event of the financial distress or bankruptcy of a customer, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer were to enter into bankruptcy, it could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense to us. The current global economic environment may adversely impact our ability to issue debt. Any economic uncertainty may cause institutional investors to respond to their borrowers by increasing interest rates, enacting tighter lending standards or refusing to refinance existing debt upon its maturity or on terms similar to the expiring debt. Due to the above- listed factors, we cannot be certain that additional funding will be available if needed and, to the extent required, on acceptable terms. 58~~