Risk Factors Comparison 2024-02-20 to 2023-02-23 Form: 10-K

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Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. If any of the following risks were to occur, our financial condition, results of operations, cash flows, and ability to make distributions could be materially adversely affected. In that case, we might not be able to make distributions on our common units, the trading price of our common units could decline, and holders of our units could lose all or part of their investment. Cash Distributions We may not generate sufficient cash from operations to pay distributions on our common units. If we make distributions, the holders of our Series B cumulative convertible preferred units have priority with respect to rights to share in those distributions over our common unitholders for so long as our Series B cumulative convertible preferred units are outstanding. We may not generate sufficient cash from operations each quarter to pay distributions to our common unitholders. Our Series B cumulative convertible preferred unitholders have priority with respect to rights to share in distributions over our common unitholders for so long as our Series B cumulative convertible preferred units are outstanding. Furthermore, our partnership agreement does not require us to pay distributions to our common unitholders on a quarterly basis or otherwise. The amount of cash to be distributed each quarter will be determined by the Board. The amount of cash we are able to distribute each quarter principally depends upon the amount of revenues we generate, which are largely dependent upon the prices that our operators realize from the sale of oil and natural gas. The actual amount of cash we are able to distribute each quarter will be reduced by principal and interest payments on our outstanding debt, working- capital requirements, and other cash needs. In addition, we may restrict distributions, in whole or in part, to fund acquisitions and participation in working interests. If over the long term we do not retain cash for capital expenditures in amounts necessary to maintain our asset base, a portion of future distributions will represent distribution of our assets and the value of our common units could be adversely affected. Withholding cash for our capital expenditures may have an adverse impact on the cash distributions in the quarter in which amounts are withheld. For a description of additional restrictions and factors that may affect our ability to make cash distributions, please read Part II, Item 5. " Market for Registrant' s Common Equity, Related Unitholder Matters, and Issuer Purchases of Equity Securities — Cash Distribution Policy. " The amount of cash we distribute to holders of our units depends primarily on our cash generated from operations and not our profitability, which may prevent us from making cash distributions during periods when we record net income. The amount of cash we distribute depends primarily upon our cash generated from operations and not solely on profitability, which may be affected by non- cash items. As a result, we may make cash distributions during periods in which we record net losses for financial accounting purposes and may be unable to make cash distributions during periods in which we record net income. Price of Oil and Natural Gas The volatility of oil and natural gas prices due to factors beyond our control greatly affects our financial condition, results of operations, and cash distributions to unitholders. Our revenues, operating results, cash distributions to unitholders, and the carrying value of our oil and natural gas properties depend significantly upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty, and a variety of additional factors that are beyond our control, including: • the domestic and foreign supply of and demand for oil and natural gas; • market expectations about future prices of oil and natural gas; • the level of global oil and natural gas exploration and production; • the cost of exploring for, developing, producing, and delivering oil and natural gas; • the price and quantity of foreign imports and exports of oil and natural gas; • political and economic conditions in oil producing regions, including the Middle East, Africa, South America, and Russia; • the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; • trading in oil and natural gas derivative contracts; • the level of consumer product demand ~~, including as a result of global pandemics similar to COVID- 19~~ ; • weather conditions and natural disasters; • technological advances affecting energy consumption; • domestic and foreign governmental regulations and taxes; • the continued threat of terrorism and the impact of military and other action, including U. S. military operations in the Middle East; • global geopolitical conflict, including the ongoing war in Ukraine **, the conflict in the Middle East** and the relationships between the United States and other countries, such as China and Russia; • the proximity, cost, availability, and capacity of oil and natural gas pipelines and other transportation facilities; • the price and availability of alternative fuels; and • overall domestic and global economic conditions. These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. The table below demonstrates such volatility for the periods presented. Year Ended December 31, ~~2022During~~ **2023During** the Five Years Prior to ~~2022As~~ **2023As** of December 31, ~~HighLowHigh2Low3202220212020WTI~~ ---- **HighLowHigh2Low3202320222021WTI** spot crude oil ($ / Bbl) 1 $ ~~123~~ **93** . ~~64~~ **67** $ ~~71~~ **66** . ~~05~~ **61** $ 123. 64 $ 8. 91 $ **71. 89 $** 80. 16 $ 75. 33 ~~$ 48. 35~~ Henry Hub spot natural gas ($ / MMBtu) ~~19~~ **13** . ~~85 3~~ **78 1** . ~~46~~ **74** 23. 86 1. 33 **2. 58** 3. 52 3. 82 ~~2. 36~~ 1 Source: EIA 2 High prices for WTI and Henry Hub were in 2022 and 2021, respectively. 3 Low prices for WTI and Henry Hub were in 2020. Excludes the period in April 2020 when WTI briefly traded in negative territory. Any prolonged substantial decline in the price of oil and natural gas will likely have a material adverse effect on our financial condition, results of operations, and cash distributions to unitholders. We may use various derivative instruments in connection with anticipated oil and natural gas sales to minimize the impact of commodity price fluctuations. However, we cannot always hedge the entire exposure of our operations from commodity price volatility. To the extent we do not hedge against commodity price volatility, or our hedges are not effective, our results of operations and financial position may be diminished. In addition, lower oil and natural gas prices may also reduce the amount of oil and natural gas that can be produced economically by our operators. This scenario may result in our having to make substantial downward adjustments to our estimated proved reserves, which could negatively impact our borrowing base and our ability to fund our operations. If this occurs or if production estimates change or exploration or development results deteriorate, successful efforts method of accounting principles may require us to write down, as a non- cash charge to earnings, the carrying value of our oil and natural gas properties. Our operators could also determine during periods of low commodity prices to shut in or curtail production from wells on our properties. In addition, they could determine during periods of low commodity prices to plug and abandon marginal wells that otherwise may have been allowed to continue to produce for a longer period under conditions of higher prices. Specifically, they may abandon any well if they reasonably believe that the well can no longer produce oil or natural gas in commercially paying quantities. Approximately ~~44~~ **59** % of our ~~2022~~ **2023** oil and natural gas revenues were derived from oil and condensate sales. Any future decreases in prices of oil may adversely affect our cash generated from operations, results of operations, financial position, and our ability to pay quarterly distributions on our common units, perhaps materially. During the ten years prior to December 31, ~~2022~~ **2023** , WTI market prices at Cushing, Oklahoma have ranged from a high of $ 123. 64 per Bbl in 2022 to a low of $ 8. 91 per Bbl in 2020. On December ~~31~~ **29** , ~~2022~~ **2023 , the last trading day of 2023** , the WTI spot market price of oil was $ ~~80~~ **71** . ~~16~~ **89** . The changes in the price of oil have been caused by many factors, including periods of increasing U. S. oil production from unconventional (shale) reserves, periods of investment restraint from U. S. oil and natural gas producers, actions taken by members of the Organization of the Petroleum Exporting Countries and its broader partners (" OPEC "), and ~~recent~~ fluctuations in demand as a result of the COVID- 19 pandemic. If prices for oil are depressed for an extended period of time or there are future declines, we may be required to write down the value of our oil and natural gas properties ~~in addition to impairments taken during 2015, 2016, and 2020,~~ and some of our undeveloped locations may no longer be economically viable. In addition, sustained low prices for oil may negatively impact the value of our estimated proved reserves and the amount that we are allowed to borrow under our Credit Facility and reduce the amounts of cash we would otherwise have available to pay expenses, fund capital expenditures, make distributions to our unitholders, and service our indebtedness. Approximately ~~56~~ **41** % of our ~~2022~~ **2023** oil and natural gas revenues were derived from natural gas and natural gas liquids sales. Any future decreases in prices of natural gas may adversely affect our cash generated from operations, results of operations, financial position, and our ability to pay quarterly distributions on our common units, perhaps materially. During the ten years prior to December 31, ~~2022~~ **2023** , natural gas prices at Henry Hub have ranged from a high of $ 23. 86 per MMBtu in 2021 to a low of $ 1. 33 per MMBtu in 2020. On December ~~31~~ **29** , ~~2022~~ **2023 , the last trading day of 2023** , the Henry Hub spot market price of natural gas was $ ~~3~~ **2** . ~~52~~ **58** per MMBtu. The changes in the price of natural gas have been caused by many factors, including periods of increasing U. S. natural gas production from unconventional (shale) reserves, periods of investment restraint from U. S. oil and natural gas producers, seasonal changes in demand for heating by residential and commercial customers, **and** rising levels of U. S. natural gas exports ~~, and recent fluctuations in demand as a result of the COVID- 19 pandemic~~ . If prices for natural gas are depressed for an extended period of time or there are future declines, we may be required to ~~further~~ write down the value of our oil and natural gas properties ~~in addition to impairments taken during 2015, 2016, and 2020,~~ and some of our undeveloped locations may no longer be economically viable. In addition, sustained low prices for natural gas may negatively impact the value of our estimated proved reserves and the amount that we are allowed to borrow under our Credit Facility and reduce the amounts of cash we would otherwise have available to pay expenses, make distributions to our unitholders, and service our indebtedness. Production Unless we replace the oil and natural gas produced from our properties, our cash generated from operations and our ability to make distributions to our common unitholders could be adversely affected. Producing oil and natural gas wells are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and our operators' production thereof and our cash generated from operations and ability to make distributions are highly dependent on the successful development and exploitation of our reserves. The production decline rates of our properties may be significantly higher than estimated if the wells on our properties do not produce as expected. We may also not be able to find, acquire, or develop additional reserves to replace the current and future production of our properties at economically acceptable terms, which would adversely affect our business, financial condition, results of operations, and cash distributions to our common unitholders. We either have little or no control over the timing of future drilling with respect to our mineral and royalty interests and non- operated working interests. Our proved undeveloped reserves may not be developed or produced. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations, and the decision to pursue development of a proved undeveloped drilling location will be made by the operator and not by us. The reserve data included in the reserve report of our engineer assume that substantial capital expenditures are required to develop the reserves. We cannot be certain that the estimated costs of the development of these reserves are accurate, that development will occur as scheduled, or that the results of the development will be as estimated. Delays in the development of our reserves, increases in costs to drill and develop our reserves, or decreases in commodity prices will reduce the future net revenues of our estimated proved undeveloped reserves and may result in some projects becoming uneconomical. In addition, delays in the development of reserves could force us to reclassify certain of our undeveloped reserves as unproved reserves. Project areas on our properties, which are in various stages of development, may not yield oil or natural gas in commercially viable quantities. Project areas on our properties are in various stages of development, ranging from project areas with current drilling or production activity to project areas that have limited drilling or production history. If the wells in the process of being completed do not produce sufficient revenues or if dry holes are drilled, our financial condition, results of operations, and cash distributions to unitholders may be adversely affected. The unavailability, high cost, or shortages of rigs, equipment, raw materials, supplies, or personnel may restrict or result in increased costs for operators related to developing and operating our properties. The oil and natural gas industry is cyclical, which can result in shortages of drilling rigs, equipment, raw materials, supplies, and personnel. When shortages occur, the costs and delivery times of rigs, equipment, and supplies increase and demand for, and wage rates of, qualified drilling rig crews also rise with increases in demand. In accordance with customary industry practice, our operators rely on independent third- party service providers to provide many of the services and equipment necessary to drill new wells. If our operators are unable to secure a sufficient number of drilling rigs at reasonable costs, our financial condition and results of operations could suffer. Shortages of drilling rigs, equipment, raw materials, supplies, personnel, trucking services, tubulars, fracking and completion services, and production equipment could delay or restrict our operators' exploration and development operations, which in turn could have a material adverse effect on our financial condition, results of operations, and cash distributions to unitholders. The marketability of oil and natural gas production is dependent upon transportation, pipelines, and refining facilities, which neither we nor many of our operators control. Any limitation in the availability of those facilities could interfere with our or our operators' ability to market our or our operators' production and could harm our business. The marketability of our or our operators' production depends in part on the availability, proximity, and capacity of pipelines, tanker trucks, and other transportation methods, and processing and refining facilities owned by third parties. The amount of oil that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage, or lack of available capacity on these systems, tanker truck availability, and extreme weather conditions. Also, the shipment of our or our operators' oil and natural gas on third- party pipelines may be curtailed or delayed if it does not meet the quality specifications of the pipeline owners. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, we or our operators are provided only with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or transportation, processing, or refining- facility capacity could reduce our or our operators' ability to market oil production and have a material adverse effect on our financial condition, results of operations, and cash distributions to unitholders. Our or our operators' access to transportation options and the prices we or our operators receive can also be affected by federal and state regulation — including regulation of oil production, transportation, and pipeline safety — as well by general economic conditions and changes in supply and demand. In addition, the third parties on whom we or our operators rely for transportation services are subject to complex federal, state, tribal, and local laws that could adversely affect the cost, manner, or feasibility of conducting our business. **In January 2024, the Biden administration announced that approvals for pending and future applications for certain new LNG facilities were being paused pending a review by the DOE that aims to assess whether climate effects should be more heavily considered in the authorization process for such LNG export projects. It is too early to know the outcome of this review and any impact the results of such review may have on LNG export growth but slowing LNG export growth could adversely affect the demand for our products.** Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. Oil and natural gas reserve engineering is not an exact science and requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, ultimate recoveries, and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates, and the timing of development expenditures may be incorrect. Our estimates of proved reserves and related valuations as of December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~ were prepared by NSAI, a third- party petroleum engineering firm, which conducted a detailed review of our properties for the period covered by its reserve report using information provided by us. Over time, we may make material changes to reserve estimates taking into account the results of actual drilling, testing, and production. Also, certain assumptions regarding future oil and natural gas prices, production levels, and operating and development costs may prove incorrect. Any significant variance from these assumptions to actual figures could greatly affect our estimates of reserves and future cash generated from operations. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil and natural gas that are ultimately recovered being different from our reserve estimates. The estimates of reserves as of December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~ were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field- by- field basis on the first day of each month within the years ended December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~, respectively, in accordance with the SEC guidelines applicable to reserve estimates for those periods. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. The results of exploratory drilling in shale plays will be subject to risks associated with drilling and completion techniques and drilling results may not meet our expectations for reserves or production. Our operators use the latest drilling and completion techniques in their operations, and these techniques come with inherent risks, including being unable to land the well bore in the desired drilling zone and being unable to fracture stimulate the planned number of stages, and being unable to run tools through the well bore. In addition, to the extent our operators engage in horizontal drilling, those activities may adversely affect their ability to successfully drill in identified vertical drilling locations. Furthermore, certain of the new techniques that our operators may adopt, such as infill drilling and multi- well pad drilling, may cause irregularities or interruptions in production due to, in the case of infill drilling, offset wells being shut in and, in the case of multi- well pad drilling, the time required to drill and complete multiple wells before these wells begin producing. The results of drilling in new or emerging formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas often have limited or no production history and consequently our operators will be less able to predict future drilling results in these areas. Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our operators' drilling results are weaker than anticipated or they are unable to execute their drilling program on our properties, our operating and financial results in these areas may be lower than we anticipate. Further, as a result of any of these developments we could incur material write-downs of our oil and natural gas properties and the value of our undeveloped acreage could decline, and our results of operations and cash distributions to unitholders could be adversely affected. We depend on various unaffiliated operators for all exploration, development, and production on the properties underlying our mineral and royalty interests and non- operated working interests. Substantially all our revenue is derived from the sale of oil and natural gas production from producing wells in which we own a royalty interest or a non- operated working interest. A reduction in the expected number of wells to be drilled on our acreage by these operators or the failure of our operators to adequately and efficiently develop and operate our acreage could have an adverse effect on our results of operations. Our assets consist of mineral and royalty interests and non- operated working interests. For the year ended December 31, ~~2022~~ **2023** , we received revenue from over 1, 000 operators. The failure of our operators to adequately or efficiently perform operations or an operator' s failure to act in ways that are in our best interests could reduce production and revenues. Our operators are often not obligated to undertake any development activities other than those required to maintain their leases on our acreage. In the absence of a specific contractual obligation, any development and production activities will be subject to their reasonable discretion. Our operators could determine to drill and complete fewer wells on our acreage than is currently expected. The success and timing of drilling and development activities on our properties, and whether the operators elect to drill any additional wells on our acreage, depends on a number of factors largely outside of our control, including: • the capital costs required for drilling activities by our operators, which could be significantly more than anticipated; • the ability of our operators to access capital; • prevailing commodity prices; • the availability of suitable drilling equipment, production and transportation infrastructure, and qualified operating personnel; • the operators' expertise, operating efficiency, and financial resources; • approval of other participants in drilling wells; • the operators' expected return on investment in wells drilled on our acreage as compared to opportunities in other areas; • the selection of technology; • the selection of counterparties for the marketing and sale of production; and • the rate of production of the reserves. The operators may elect not to undertake development activities, or may undertake these activities in an unanticipated fashion, which may result in significant fluctuations in our results of operations and cash distributions to our unitholders. Sustained reductions in production by the operators on our properties may also adversely affect our results of operations and cash distributions to unitholders. Cessation or protracted slowdown of activity in the Shelby Trough area could adversely affect our results of operations. In ~~2022~~ **2023** , we generated ~~13~~ **10** % of our royalty revenues and ~~35~~ **19** % of our working interest revenues from three operators in the Shelby Trough area of the Haynesville play in East Texas, where we own a concentrated, relatively high- interest royalty position. Only one of these operators has an active drilling program on this acreage. Geographic and operator concentration heightens the effect of operational risks, including: • operators' diversion of drilling capital to other areas, where our royalty interest is less meaningful or nonexistent; • adverse changes to the operators' financial positions; • unanticipated geographic or environmental constraints in the Shelby Trough; or • delay or cancellation of construction or operation of LNG export facilities in the Gulf of Mexico. **In December 2023, we received notice that Aethon Energy (" Aethon ") was exercising the " time- out " provisions under its joint exploration agreements with us in Angelina and San Augustine counties in East Texas. When natural gas prices fall below specified thresholds, Aethon may elect to temporarily suspend its drilling obligations for up to nine consecutive months and a maximum of 18 total months in any 48- month period. Aethon has not previously invoked the time- out provisions under the agreements. For more information, please read Part II, Item 7. " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments. "** If any of these risks are realized ~~and production is not replaced by another operator in this area or another area~~ , production may decrease, reducing cash generated from operations and cash available for distribution. We may experience delays in the payment of royalties and be unable to replace operators that do not make required royalty payments, and we may not be able to terminate our leases with defaulting lessees if any of the operators on those leases declare bankruptcy. A failure on the part of the operators to make royalty payments gives us the right to terminate the lease, repossess the property, and enforce payment obligations under the lease. If we repossessed any of our properties, we would seek a replacement operator. However, we might not be able to find a replacement operator and, if we did, we might not be able to enter into a new lease on favorable terms within a reasonable period of time. In addition, the outgoing operator could be subject to bankruptcy proceedings, in which case our right to enforce or terminate the lease for any defaults, including non- payment, may be substantially delayed or otherwise impaired. Access to Capital and Financing Our Credit Facility has substantial restrictions and financial covenants that may restrict our business and financing activities and our ability to pay distributions. Our Credit Facility limits the amounts we can borrow to a borrowing base amount, as determined by the lenders at their sole discretion based on their valuation of our proved reserves and their internal criteria. The borrowing base is redetermined at least semi- annually, and the available borrowing amount could be decreased as a result of such redeterminations. Decreases in the available borrowing amount could result from declines in oil and natural gas prices, operating difficulties or increased costs, decreases in reserves, lending requirements, or regulations or certain other circumstances. As of December 31, ~~2022~~ **2023** , we had **no** outstanding borrowings ~~of $ 10. 0 million~~ and the aggregate maximum credit amounts of the lenders were $ 1. 0 billion. Our borrowing base determined by the lenders under our Credit Facility in October ~~2022~~ **2023** was $ ~~550~~ **580** . 0 million ~~with outstanding~~ **and we elected to maintain cash** commitments ~~of~~ **at** $ 375. 0 million ~~and the~~ **. The** next semi- annual redetermination is scheduled for April ~~2023~~ **2024** . A future decrease in our borrowing base could be substantial and could be to a level below our then- outstanding borrowings. Outstanding borrowings in excess of the borrowing base are required to be repaid in five equal monthly payments, or we are required to pledge other oil and natural gas properties as additional collateral, within 30 days following notice from the administrative agent of the new or adjusted borrowing base. If we do not have sufficient funds on hand for repayment, we may be required to seek a waiver or amendment from our lenders, refinance our Credit Facility, or sell assets, debt, or equity. We may not be able to obtain such financing or complete such transactions on terms acceptable to us or at all. Failure to make the required repayment could result in a default under our Credit Facility, which could materially adversely affect our business, financial condition, results of operations, and distributions to our unitholders. The operating and financial restrictions and covenants in our Credit Facility restrict, and any future financing agreements likely will restrict, our ability to finance future operations or capital needs, engage in, expand, or pursue our business activities, or pay distributions. Our Credit Facility restricts, and any future Credit Facility likely will restrict, our ability to: • incur indebtedness; • grant liens; • make certain acquisitions and investments; • enter into hedging arrangements; • enter into transactions with our affiliates; • make distributions to our unitholders; or • enter into a merger, consolidation, or sale of assets. Our Credit Facility restricts our ability to make distributions to unitholders or to repurchase units unless after giving effect to such distribution or repurchase, there is no event of default under our Credit Facility and our outstanding borrowings are not in excess of our borrowing base. While we currently are not restricted by our Credit Facility from declaring a distribution, we may be restricted from paying a distribution in the future. We also are required to comply with certain financial covenants and ratios under the Credit Facility. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control, such as reduced oil and natural gas prices. If we violate any of the restrictions, covenants, ratios, or tests in our Credit Facility, a significant portion of our indebtedness may become immediately due and payable, our ability to make distributions will be inhibited, and our lenders' commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our Credit Facility are secured by substantially all of our assets, and if we are unable to repay our indebtedness under our Credit Facility, the lenders can seek to foreclose on our assets. We expect to distribute a substantial majority of the cash we generate from operations each quarter, which could limit our ability to grow and make acquisitions. We expect to distribute a substantial majority of the cash we generate from operations each quarter. As a result, we will have limited cash generated from operations to reinvest in our business or to fund acquisitions, and we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and growth capital expenditures. If we are unable to finance growth externally, our distribution policy will significantly impair our ability to grow. If we issue additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. Other than limitations restricting our ability to issue units ranking senior or on parity with our Series B cumulative convertible preferred units, there are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units with respect to distributions. The incurrence of additional commercial borrowings or other debt to finance our growth would result in increased interest expense and required principal repayments, which, in turn, may reduce the cash that we have available to distribute to our unitholders. Please read Part II, Item 5. " Market for Registrant' s Common Equity, Related Unitholder Matters, and Issuer Purchases of Equity Securities — Cash Distribution Policy. " Our operators' development activities on our leases, funding our non- operated working interests, and acquisitions will require substantial capital, and we and our operators may be unable to obtain needed capital or financing on satisfactory terms or at all. The oil and natural gas industry is capital intensive. Most of our operators are dependent on the availability of external debt and equity financing sources to maintain their drilling programs. If those financing sources are not available to the operators on favorable terms or at all, then we expect the development of our properties to be adversely affected. If the development of our properties is adversely affected, then revenues from our mineral and royalty interests and non- operated working interests may decline. In the past, we have made substantial capital expenditures in connection with the acquisition of mineral and royalty interests and, to a lesser extent, participation in our non- operated working interests. To date, we have financed capital expenditures primarily with funding from cash generated by operations, limited borrowings under our Credit Facility, executed farmout agreements, and the issuance of equity securities. While we are currently focused on organic growth of our existing assets and have farmed out most of our non- operated working interests, ~~it is possible that~~ we **expect to make opportunistic acquisitions to complement our existing acreage positions and** may need access to capital for those activities in the future. In those cases, we may restrict distributions to fund acquisitions and participation in our working interests but eventually we may need capital in excess of the amounts we retain in our business or borrow under our Credit Facility. We cannot assure you that we will be able to access external capital on terms favorable to us or at all. If we are unable to fund our capital requirements, we may be unable to complete acquisitions, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our results of operation and cash distributions to unitholders. Acquisitions Any acquisitions of additional mineral and royalty interests will be subject to substantial risks. Our principal growth strategy focuses on adding reserves on our existing properties. From time to time, however, we may acquire mineral and royalty interests. If we do make acquisitions that we believe will increase our cash generated from operations, these acquisitions may nevertheless result in a decrease in our cash distributions per unit. Any acquisition involves potential risks, including, among other things: • the validity of our assumptions about estimated proved reserves, future production, prices, revenues, capital expenditures, operating expenses, and costs; • a decrease in our liquidity by using a significant portion of our cash generated from operations or borrowing capacity to finance acquisitions; • a significant increase in our interest expense or financial leverage if we incur debt to finance acquisitions; • the assumption of unknown liabilities, losses, or costs for which we are not indemnified or for which any indemnity we receive is inadequate; • mistaken assumptions about the overall cost of equity or debt; • our ability to obtain satisfactory title to the assets we acquire; • an inability to hire, train, or retain qualified personnel to manage and operate our growing business and assets; and • the occurrence of other significant changes, such as impairment of oil and natural gas properties, goodwill or other intangible assets, asset devaluation, or restructuring charges. Environmental, Legal and Regulatory Risks Conservation measures, technological advances, and general concern about the environmental impact of the production and use of fossil fuels could materially reduce demand for oil and natural gas and adversely affect our results of operations and the trading market for our common units. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy, and energy- generation devices could reduce demand for oil and natural gas. The impact of the changing demand for oil and natural gas services and products may have a material adverse effect on our business, financial condition, results of operations, and cash distributions to unitholders. It is also possible that the concerns about the production and use of fossil fuels will reduce the number of investors willing to own our common units, adversely affecting the market price of our common units. Oil and natural gas operations are subject to various governmental laws and regulations, including those directed at the threat of climate change. Compliance with these laws and regulations can be burdensome and expensive, and failure to comply could result in significant liabilities, which could reduce cash distributions to our unitholders. Operations on the properties in which we hold interests are subject to various federal, state, and local governmental regulations that may be changed from time to time in response to economic and political conditions. Matters subject to regulation include drilling operations, production and distribution activities, discharges or releases of pollutants or wastes, plugging and abandonment of wells, maintenance and decommissioning of other facilities, the spacing of wells, unitization and pooling of properties, and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity to conserve supplies of oil and natural gas. In addition, the production, handling, storage, and transportation of oil and natural gas, as well as the remediation, emission, and disposal of oil and natural gas wastes, by- products thereof, and other substances and materials produced or used in connection with oil and natural gas operations, are subject to regulation under federal, state, and local laws and regulations primarily relating to protection of worker health and safety, natural resources, and the environment. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil, or criminal penalties, permit revocations, requirements for additional pollution controls, and injunctions limiting or prohibiting some or all of the operations on our properties. Moreover, these laws and regulations have generally imposed increasingly strict requirements related to water use and disposal, air pollution control, and waste management. Laws and regulations governing exploration and production may also affect production levels. Our operators must comply with federal and state laws and regulations governing conservation matters, including: • provisions related to the unitization or pooling of the oil and natural gas properties; • the establishment of maximum rates of production from wells; • the spacing of wells; • the plugging and abandonment of wells; and • the removal of related production equipment. Additionally, federal and state regulatory authorities may expand or alter applicable pipeline- safety laws and regulations. Compliance with such regulations may require increased capital costs for third- party oil and natural gas transporters. These transporters may attempt to pass on such costs to our operators, which in turn could affect profitability on the properties in which we own mineral and royalty interests. Our operators must also comply with laws and regulations prohibiting fraud and market manipulations in energy markets. To the extent the operators of our properties are shippers on interstate pipelines, they must comply with the tariffs of those pipelines and with federal policies related to the use of interstate capacity. Our operators may be required to make significant expenditures to comply with the governmental laws and regulations described above and may be subject to potential fines and penalties if they are found to have violated these laws and regulations. We believe the trend of more expansive and stricter environmental legislation and regulations will continue. Please read Part I, Items 1 and 2. " Business and Properties — Environmental Matters " for a description of the laws and regulations that affect our operators and that may affect us. These and other potential regulations could increase the operating costs of our operators and delay production, which could reduce the amount of cash distributions to our unitholders. Louisiana mineral servitudes are subject to reversion to the surface owner after ten years' nonuse. We own mineral servitudes covering several hundred thousand acres in Louisiana. A mineral servitude is created in Louisiana when the mineral rights are separated from the ownership of the surface, whether by sale or reservation. These mineral servitudes, once created, are subject to a ten- year prescription of nonuse. During the ten- year period, the mineral- servitude owner has to conduct good- faith operations on the servitude for the discovery and production of minerals, or the mineral servitude " prescribes, " and the mineral rights associated with that servitude revert to the surface owner. A good- faith operation for the discovery and production of minerals, even one resulting in a dry hole, conducted within the ten- year period will interrupt the prescription of nonuse and restart the running of the ten- year prescriptive period. If the operation results in production, prescription is interrupted as long as the production continues or operations are conducted in good faith to secure or restore production. If any of our mineral servitudes are prescribed by operation of Louisiana law, our operating results may be adversely affected. Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs, additional operating restrictions or delays, and fewer potential drilling locations. Our operators engage in hydraulic fracturing. Hydraulic fracturing is a common practice that is used to stimulate production of hydrocarbons from tight formations, including shales. The process involves the injection of water, sand, and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. Numerous federal and state laws and regulations affect our operators' ability to conduct hydraulic fracturing. Please read Part I, Items 1 and 2." Business and properties — Environmental Matters — Hydraulic Fracturing" for a description of the laws and regulations that affect our ~~operators and that may affect us.~~ There has been increasing public controversy regarding hydraulic fracturing with regard to increased risks of induced seismicity, the use of fracturing fluids, impacts on drinking water supplies, use of water, and the potential for impacts to surface water, groundwater, and the environment generally. A number of lawsuits and enforcement actions have been initiated across the country implicating hydraulic- fracturing practices. If new laws or regulations are adopted that significantly restrict hydraulic fracturing, those laws could make it more difficult or costly for our operators to perform fracturing to stimulate production from tight formations. In addition, if hydraulic fracturing is further regulated at the federal or state level, fracturing activities on our properties could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements, and also to attendant permitting delays and potential increases in costs. Legislative changes could cause operators to incur substantial compliance costs. At this time, it is not possible to estimate the impact on our business of newly enacted or potential federal or state legislation governing hydraulic fracturing. Operating hazards and uninsured risks may result in substantial losses to us or our operators, and any losses could adversely affect our results of operations and cash distributions to unitholders. We may be secondarily liable for damage to the environment caused by our operators. The operations of our operators will be subject to all of the hazards and operating risks associated with drilling for and production of oil and natural gas, including the risk of fire, explosions, blowouts, surface cratering, uncontrollable flows of natural gas, oil and formation water, pipe or pipeline failures, abnormally pressured formations, casing collapses, and environmental hazards such as oil spills, natural gas leaks and ruptures, or discharges of toxic gases. In addition, their operations will be subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage, or potential underground migration of fracturing fluids, including chemical additives. The occurrence of any of these events could result in substantial losses to our operators due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean- up responsibilities, regulatory investigations and penalties, suspension of operations, and repairs required to resume operations. In accordance with what we believe to be customary industry practice, we maintain insurance against some, but not all, of our business risks. Our insurance may not be adequate to cover any losses or liabilities we may suffer. Also, insurance may no longer be available to us or, if it is, its availability may be at premium levels that do not justify its purchase. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our financial condition, results of operations, or cash distributions to unitholders. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our financial position. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities may not be covered by insurance. We may not have coverage if we are unaware of a sudden and accidental pollution event and unable to report the " occurrence " to our insurance providers within the time frame required under our insurance policy. We do not have, and do not intend to obtain, coverage for gradual, long- term pollution events. In addition, these policies do not provide coverage for all liabilities, and we cannot assure our unitholders that the insurance coverage will be adequate to cover claims that may arise or that we will be able to maintain adequate insurance at rates we consider reasonable. A loss not fully covered by insurance could have a material adverse effect on our financial position, results of operations, and cash distributions to unitholders. Increasing attention to environmental, social and governance (ESG) matters may impact our business. Increasing attention to, and social expectations on, companies to address climate change and other environmental and social impacts, investor and societal explanations regarding voluntary ESG disclosures, and increased consumer demand for alternative forms of energy may result in increased costs, reduced demand for our products, reduced profits, increased investigations and litigation, and negative impacts on our unit price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for oil and natural gas products and additional governmental investigations and private litigation against us. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation or contribution to the asserted damage, or other mitigating factors. Please read Part I, Items 1 and 2. " Business and Properties — Environmental Matters " for an additional description of some of the many ESG- related developments that may affect us, our operators, and / or the oil and gas sector more generally. Additionally, we may receive pressure from investors, lenders, or other groups to adopt more aggressive climate or other ESG- related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles. In March 2022, the U. S. Securities and Exchange Commission (" SEC ") released a proposed rule that would establish a framework for the reporting of climate risks, targets, and metrics. A final rule is expected to be released ~~early~~ **in** ~~2023~~ **2024 . We** ~~, but we~~ cannot predict what any such final rule may require. As proposed, the SEC climate rule would impose burdensome and potentially costly emissions and other data gathering and reporting requirements on our operations, including, but not limited to, those related to risks to our operators arising from the physical impacts of climate change (i. e., flooding, water stress, extreme temperatures). To the extent the rule imposes additional reporting obligations, we could face increased costs. Separately, the SEC has announced that it is scrutinizing existing climate- change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege an issuer' s climate disclosures are misleading **, deceptive** or deficient **. Such agency action could also increase the potential for private litigation. Relatedly, California has enacted new laws requiring additional disclosure with respect to certain climate-related risks and GHG emissions reduction claims. Non- compliance with these new laws may result in the imposition of substantial fines or penalties. Other states are considering similar laws. Any new laws or regulations imposing more stringent requirements on our business related to the disclosure of climate- related risks may result in reputation harms among certain stakeholders if they disagree with our approach to mitigating climate- related risks, increased compliance costs resulting from the development of any disclosures, and increased costs of and restrictions on access to capital to the extent we do not meet any climate- related expectations of requirements of financial institutions** . Relatedly, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us or our customers and to the diversion of investment or other industries which could have a negative impact on our unit price and / or our access to and costs of capital. Additionally, institutional lenders may decide not to provide funding for fossil fuel energy companies or the corresponding infrastructure projects based on climate change related concerns, which could affect our access to capital for potential growth projects. Moreover, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively or recruit or retain employees, which may adversely affect our operations. Finally, public statements with respect to ESG matters, such as emissions reduction goals, other environmental targets, or other commitments addressing certain social issues, are becoming increasingly subject to heightened scrutiny from public and governmental authorities related to the risk of potential " greenwashing, " i. e., misleading information or false claims overstating potential ESG benefits. For example, in March 2021, the SEC established the Climate and ESG Task Force in the Division of Enforcement to identify and address potential ESG- related misconduct, including greenwashing. Certain non- governmental organizations and other private actors have also filed lawsuits under various securities and consumer protection laws alleging that certain ESG- statements, goals, or standards were misleading, false, or otherwise deceptive. Moreover, the Federal Trade Commission in August 2022 indicated its intent to issue revised " Green Guides " which will likely address greenwashing risks arising from ESG- related matters. As a result, we may face increased litigation risks from private parties and governmental authorities related to our ESG efforts. In addition, any alleged claims of greenwashing against us or others in our industry may lead to further negative sentiment and diversion of investments. Additionally, we could face increasing costs as we attempt to comply with and navigate further regulatory focus and scrutiny. Key Persons We rely on a few key individuals whose absence or loss could adversely affect our business. Many key responsibilities within our business have been assigned to a small number of individuals. The loss of their services could adversely affect our business. In particular, the loss of the services of one or more members of our executive team could disrupt our business, and if we are unable to manage an orderly transition, our business may be adversely affected. Further, we do not maintain " key person " life insurance policies on any of our executive team or other key personnel. As a result, we are not insured against any losses resulting from the death of these key individuals. Title Defects Title to the properties in which we have an interest may be impaired by title defects. No assurance can be given that we will not suffer a monetary loss from title defects or title failure. Additionally, undeveloped acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss. Risks to Unitholders under Our Partnership Agreement The Board may modify or revoke our cash distribution policy at any time at its discretion. Our partnership agreement does not require us to pay any distributions at all on our common units. If we make distributions, our Series B cumulative convertible unitholders have priority with respect to rights to share in those distributions over our common unitholders for so long as our Series B cumulative convertible preferred units are outstanding. Our partnership agreement generally provides that any distributions are paid each quarter as follows: (i) first, to the holders of Series B cumulative convertible preferred units equal to 7 **. 0** % **of the face amount of the preferred units** per annum **through November 27** , **2023, adjusted to 9. 8 % effective November 28, 2023 and** subject to ~~certain adjustments~~ **readjustment every two years thereafter** , and (ii) second, to the holders of common units. However, the Board could elect not to pay distributions for one or more quarters or at all. Please read Part II, Item 5. " Market for Registrant' s Common Equity, Related Unitholder Matters, and Issuer Purchases of Equity Securities — Cash Distribution Policy. " Our partnership agreement does not require us to pay any distributions at all on our common units. Accordingly, investors are cautioned not to place undue reliance on the permanence of any distribution policy in making an investment decision. Any modification or revocation of our cash distribution policy could substantially reduce or eliminate the amounts of distributions to our unitholders. The amount of distributions we make, if any, and the decision to make any distribution at all will be determined by the Board. If we make distributions, our Series B cumulative convertible preferred unitholders have priority with respect to rights to share in those distributions over our common unitholders for so long as our Series B cumulative convertible preferred units are outstanding. Please read Part II, Item 5. " Market for Registrant' s Common Equity, Related Unitholder Matters, and Issuer Purchases of Equity Securities — Cash Distribution Policy — Series B Cumulative Convertible Preferred Units. " Our partnership agreement eliminates the fiduciary duties that might otherwise be owed to the partnership and its partners by our general partner and its directors and executive officers under Delaware law. Our partnership agreement contains provisions that eliminate the fiduciary duties that might otherwise be owed by our general partner and its directors and executive officers. For example, our partnership agreement provides that our general partner and its directors and executive officers have no duties to the Partnership or its partners except as expressly set forth in the partnership agreement. In place of default fiduciary duties, our partnership agreement imposes a contractual standard requiring our general partner and its directors and executive officers to act in good faith, meaning they cannot cause the general partner to take an action that they subjectively believe is adverse to our interests. Such contractual standards allow our general partner and its directors and executive officers to manage and operate our business with greater flexibility and to subject the actions and determinations of our general partner and its directors and executive officers to lesser legal or judicial scrutiny than would be the case if state law fiduciary standards were applicable. Our partnership agreement restricts the situations in which remedies may be available to our unitholders for actions taken that might constitute breaches of duty under applicable Delaware law and breaches of the contractual obligations in our partnership agreement. Our partnership agreement restricts the potential liability of our general partner and its directors and executive officers to our unitholders. For example, our partnership agreement provides that our general partner and its directors and executive officers will not be liable for monetary damages to us or our limited partners for any acts or omissions unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in willful misconduct or fraud or, with respect to any criminal conduct, with the knowledge that its conduct was unlawful. Unitholders are bound by the provisions of our partnership agreement, including the provisions described above. Our partnership agreement restricts the voting rights of unitholders owning 15 % or more of our units, subject to certain exceptions. Our partnership agreement restricts unitholders' voting rights by providing that any units held by a person or group that owns 15 % or more of any class of units then outstanding, other than the limited partners in BSMC prior to the IPO, their transferees, persons who acquired such units with the prior approval of the Board, holders of Series B cumulative convertible preferred units in connection with any vote, consent or approval of the Series B cumulative convertible preferred units as a separate class, and persons who own 15 % or more of any class as a result of any redemption or purchase of any other person' s units or similar action by us or any conversion of the Series B cumulative convertible preferred units at our option or in connection with a change of control may not vote on any matter. Our partnership agreement includes exclusive forum, venue, and jurisdiction provisions. By purchasing a common unit, a limited partner is irrevocably consenting to these provisions regarding claims, suits, actions, or proceedings, and submitting to the exclusive jurisdiction of Delaware courts. Our partnership agreement is governed by Delaware law. Our partnership agreement includes exclusive forum, venue, and jurisdiction provisions designating Delaware courts as the exclusive venue for all claims, suits, actions, or proceedings arising out of or relating in any way to the partnership agreement, brought in a derivative manner on behalf of the Partnership, asserting a claim of breach of a fiduciary or other duty owed by any director, officer, or other employee of the Partnership or the general partner, or owed by the general partner to the Partnership or the partners, asserting a claim arising pursuant to any provision of the Delaware Act, or asserting a claim governed by the internal affairs doctrine. By purchasing a common unit, a limited partner is irrevocably consenting to these provisions regarding claims, suits, actions, or proceedings and submitting to the exclusive jurisdiction of Delaware courts. If a dispute were to arise between a limited partner and us or our officers, directors, or employees, the limited partner may be required to pursue its legal remedies in Delaware, which may be an inconvenient or distant location and which is considered to be a more corporate- friendly environment. We may issue additional common units and other equity interests without common unitholder approval, which would dilute holders of common units. However, subject to certain exceptions, our partnership agreement does not authorize us to issue units ranking senior to or at parity with our Series B cumulative convertible preferred units without Series B cumulative convertible preferred unitholder approval. Under our partnership agreement, we are authorized to issue an unlimited number of additional interests, including common units, without a vote of the unitholders other than, in certain instances, approval of holders of our Series B cumulative convertible preferred units. Our issuance of additional common units or other equity interests of equal or senior rank will have the following effects: • the proportionate ownership interest of common unitholders in us immediately prior to the issuance will decrease; • the amount of cash distributions on each common unit may decrease; • the ratio of our taxable income to distributions may increase; • the relative voting strength of each previously outstanding common unit may be diminished; and • the market price of the common units may decline. However, subject to certain exceptions, our partnership agreement does not authorize us to issue securities having preferences or rights with priority over or on a parity with the Series B cumulative convertible preferred units with respect to rights to share in distributions, redemption obligations, or redemption rights without Series B cumulative convertible preferred unitholder approval. Distributions to Unitholders; Price of Units and Other Risks Actions taken by our general partner may affect the amount of cash generated from operations that is available for distribution to unitholders. The amount of cash generated from operations available for distribution to unitholders is affected by decisions of our general partner regarding such matters as: • amount and timing of asset purchases and sales; • cash expenditures; • borrowings and repayment of current and future indebtedness; • redemption of all or a portion of the Series B cumulative convertible preferred units; • issuance of additional units; and • the creation, reduction, or increase of reserves in any quarter. In addition, borrowings by us do not constitute a breach of any duty owed by our general partner to our unitholders. The market price of our common units could be adversely affected by sales of substantial amounts of our common units in the public or private markets. As of December 31, ~~2022~~ **2023** , we had 209, ~~406~~ **991** , ~~927~~ **223** common units and 14, 711, 219 Series B cumulative convertible preferred units outstanding. Each holder may elect to convert all or any portion of its Series B cumulative convertible preferred units into common units on a one- for- one basis, subject to customary anti- dilution adjustments, an adjustment for any distributions that have accrued but not been paid when due, and certain other restrictions. Under certain conditions, we may elect to convert all or any portion of the Series B cumulative convertible preferred units into common units. As of December 31, ~~2022~~ **2023** and through the date of this filing, we had not met all such conditions and therefore were not eligible to exercise our conversion right for the Series B cumulative convertible preferred units. Sales by holders of a substantial number of our common units in the public markets, or the perception that these sales might occur, could have a material adverse effect on the price of our common units or impair our ability to obtain capital through an offering of equity securities. Increases in interest rates may cause the market price of our common units to decline ~~.~~ An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular, for yield- based equity investments such as our common units. Any such increase in interest rates or reduction in demand for our common units resulting from other investment opportunities may cause the trading price of our common units to decline. Unitholders may have liability to repay distributions. Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17- 607 of the Delaware Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Liabilities to partners on account of their partnership interests and liabilities that are non- recourse to the partnership are not counted for purposes of determining whether a distribution is permitted. The NYSE does not require a publicly traded partnership like us to comply with certain of its corporate governance requirements. Because we are a publicly traded partnership, the NYSE does not require us to have a majority of independent directors on our general partner' s board of directors or to establish a compensation committee or a nominating and corporate governance committee. In addition, because we are a publicly traded partnership, the NYSE does not require us to obtain unitholder approval prior to certain unit issuances. Accordingly, unitholders will not have the same protections afforded to stockholders of certain corporations that are subject to all of the NYSE' s corporate governance requirements. If a unitholder is not an Eligible Holder, the common units of such unitholder may be subject to redemption. We have adopted certain requirements regarding those investors who may own our units. Eligible Holders are limited partners (a) whose, or whose owners', U. S. federal income tax status does not have or is not reasonably likely to have a material adverse effect on the rates chargeable by us to customers and (b) whose ownership could not result in our loss of ownership in any material part of our assets, as determined by our general partner with the advice of counsel. If an investor is not an Eligible Holder, in certain circumstances as set forth in our partnership agreement, units held by such investor may be redeemed by us at the then- current market price. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner. Tax- Related Risks Our tax treatment depends on our status as a partnership for U. S. federal income tax purposes, and not being subject to a material amount of entity- level taxation. If the ~~Internal Revenue Service ("~~ IRS ~~")~~ were to treat us as a corporation for U. S. federal income tax purposes or we were to become subject to entity- level taxation for state tax purposes, then our cash distributions to common unitholders would be substantially reduced. The anticipated after- tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for U. S. federal income tax purposes. Despite the fact that we are organized as a limited partnership under Delaware law, we will be treated as a corporation for U. S. federal income tax purposes unless we satisfy the " qualifying income " requirement within Section 7704 (d) (1) (E) of the Internal Revenue Code. Based upon our current operations and current Treasury Regulations, we believe that we satisfy the qualifying income requirement. However, we have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U. S. federal income tax purposes or otherwise subject us to taxation as an entity. If we were treated as a corporation for U. S. federal income tax purposes, we would pay U. S. federal income tax on our taxable income at the corporate tax rate. Distributions to our common unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, or deductions would flow through to our common unitholders. Because an entity- level tax would be imposed upon us as a corporation, cash distributions to our common unitholders would be substantially reduced. In addition, changes in current state law may subject us to additional entity- level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity- level taxation through the imposition of state income, franchise, and other forms of taxation. Imposition of any of those taxes may substantially reduce the cash distributions to our common unitholders. Therefore, treatment of us as a corporation or the assessment of a material amount of entity- level taxation would result in a material reduction in the anticipated cash generated from our operations and after- tax return to our common unitholders, likely causing a substantial reduction in the value of our common units. The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial, or administrative changes and differing interpretations, possibly applied on a retroactive basis. The present U. S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative, or judicial changes or differing interpretations at any time. From time to time, members of Congress propose and consider substantive changes to the existing U. S. federal income tax laws that would affect publicly traded partnerships, including proposals that would eliminate our ability to qualify for partnership tax treatment. Recent proposals have provided for the expansion of the qualifying income exception for publicly traded partnerships in certain circumstances and other proposals have provided for the total elimination of the qualifying income exception upon which we rely for our partnership tax treatment. **Further, while unitholders of publicly traded partnerships are, subject to certain limitations, generally entitled to a deduction equal to 20 % of their allocable share of a publicly traded partnership' s " qualified business income " (as further discussed below), this deduction is scheduled to expire with respect to taxable years beginning after December 31, 2025.** In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to U. S. federal income tax laws or the Treasury Department' s interpretation of the qualifying income rules in a manner that could impact our ability to qualify as a partnership in the future. Any modification to the U. S. federal income tax laws or interpretations thereof may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U. S. federal income tax purposes. We are unable to predict whether any of these changes or other proposals will ultimately be enacted or adopted. Any such changes could negatively impact the value of an investment in our common units. You are urged to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on your investment in our common units. Future legislation may result in the elimination of certain U. S. federal income tax deductions currently available with respect to oil and natural gas exploration and production. Additionally, future federal or state legislation may impose new or increased taxes or fees on oil and natural gas extraction. From time to time, legislation has been proposed that would, if enacted into law, make significant changes to tax laws, including to certain key U. S. federal income tax provisions currently available to oil and gas companies. Such legislative changes have included, but not been limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties; (ii) the elimination of current deductions for intangible drilling and development costs; and (iii) an extension of the amortization period for certain geological and geophysical expenditures. Congress could consider, and could include, some or all of these proposals as part of future tax reform legislation. Moreover, other more general features of tax reform legislation, including changes to cost recovery rules and to the deductibility of interest expense may be developed that also would change the taxation of oil and gas companies. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals or any similar changes in U. S. federal income tax laws could increase costs or eliminate or postpone certain tax deductions that currently are available to us or our services providers with respect to oil and gas development. Any such changes could have an adverse effect on our financial position, results of operations, and cash flows. If the IRS were to contest the U. S. federal income tax positions we take, it may adversely affect the market for our common units, and the costs of any such contest would reduce cash available for distribution to our common unitholders. We have not requested a ruling from the IRS with respect to our treatment as a partnership for U. S. federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely affect the market for our common units and the price at which they trade. Moreover, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our common unitholders and thus will be borne indirectly by our common unitholders. If the IRS makes **an** audit ~~adjustments~~ **adjustment** to our income tax returns ~~for tax years beginning after December 31, 2017~~, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case cash available for distribution to our common unitholders might be substantially reduced and our current and former common unitholders may be required to indemnify us for any taxes (including any applicable penalties and interest) resulting from such audit adjustments that were paid on such common unitholders' behalf. **If** ~~Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if~~ the IRS makes an audit adjustment to our income tax return, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. To the extent possible ~~under these rules~~, our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS or, if we are eligible, issue a revised information statement to each common unitholder and former common unitholder with respect to an audited and adjusted return. Although our general partner may elect to have our common unitholders and former common unitholders take such audit adjustment into account and pay any resulting taxes (including applicable penalties or interest) in accordance with their interests in us during the tax year under audit, there can be no assurance that such election will be practical, permissible, or effective in all circumstances. As a result, our current common unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such common unitholders did not own common units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties, and interest, cash available for distribution to our common unitholders might be substantially reduced and our current and former common unitholders may be required to indemnify us for any taxes (including any applicable penalties and interest) resulting from such audit adjustment that were paid on such common unitholders' behalf. ~~These rules are not applicable for tax years beginning on or prior to December 31, 2017.~~ Even if you, as a common unitholder, do not receive any cash distributions from us, you will be required to pay taxes on your share of our taxable income. You will be required to pay U. S. federal income taxes and, in some cases, state and local income taxes, on your share of our taxable income, whether or not you receive cash distributions from us. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale and our cash available for distribution would not increase. Similarly, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt could result in " cancellation of indebtedness income " being allocated to our common unitholders as taxable income without any increase in our cash available for distribution. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax due from you with respect to that income. Tax gain or loss on the disposition of our common units could be more or less than expected. If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of prior excess distributions with respect to the common units you sell will, in effect, become taxable income to you if you sell your common units at a price greater than your tax basis in those common units, even if the price you receive is less than your original cost. In addition, because the amount realized includes a common unitholder' s share of our nonrecourse liabilities, if you sell your common units, you may incur a tax liability in excess of the amount of cash you receive from the sale. A substantial portion of the amount realized from the sale of your common units, whether or not representing gain, may be taxed as ordinary income to you due to potential recapture items, including depreciation recapture. Thus, you may recognize both ordinary income and capital loss from the sale of your common units if the amount realized on a sale of your common units is less than your adjusted basis in the common units. Net capital loss may only offset capital gains and, in the case of individuals, up to $ 3, 000 of ordinary income per year. In the taxable period in which you sell your common units, you may recognize ordinary income from our allocations of income and gain to you occurring prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of common units. Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us. In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, our deduction for " business interest " is limited to the sum of our business interest income and 30 % of our " adjusted taxable income. " For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income. If our " business interest " is subject to limitation under these rules, our unitholders will be limited in their ability to deduct their share of any interest expense that has been allocated to them. As a result, unitholders may be subject to limitation on their ability to deduct interest expense incurred by us. Tax- exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them. Investment in our common units by tax- exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs) raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U. S. federal income tax, including IRAs and other retirement plans, may be unrelated business taxable income and may be taxable to them. **Additionally, all or part of any gain recognized by such tax- exempt organization upon a sale or other disposition of our units may be unrelated business taxable income and may be taxable to them.** Tax- exempt entities should consult a tax advisor before investing in our common units. Non- U. S. common unitholders will be subject to U. S. taxes and withholding with respect to their income and gain from owning our common units. Non- U. S. common unitholders are generally taxed and subject to income tax filing requirements by the United States on income effectively connected with a U. S. trade or business (" effectively connected income "). Income allocated to our common unitholders and any gain from the sale of our common units will generally be considered to be " effectively connected " with a U. S. trade or business. As a result, distributions to a non- U. S. common unitholder will be subject to withholding at the highest applicable effective tax rate and a non- U. S. common unitholder who sells or otherwise disposes of a common unit will also be subject to U. S. federal income tax on the gain realized from the sale or disposition of that common unit. In addition to the withholding tax imposed on distributions of effectively connected income, distributions to a non- U. S. common unitholder will also be subject to a 10 % withholding tax on the amount of any distribution in excess of our cumulative net income. As we do not compute our cumulative net income for such purposes due to the complexity of the calculation and lack of clarity in how it would apply to us, we intend to treat all of our distributions as being in excess of our cumulative net income for such purposes and subject to such 10 % withholding tax.

Accordingly, distributions to a non- U. S. common unitholder will be subject to a combined withholding tax rate equal to the sum of the highest applicable effective tax rate and 10 %. Moreover, the transferee of an interest in a partnership that is engaged in a U. S. trade or business is generally required to withhold 10 % of the" amount realized" by the transferor unless the transferor certifies that it is not a foreign person. While the determination of a partner' s" amount realized" generally includes any decrease of a partner' s share of the partnership' s liabilities, the Treasury Regulations provide that the" amount realized" on a transfer of an interest in a publicly traded partnership, such as our common units, will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and thus will be determined without regard to any decrease in that partner' s share of a publicly traded partnership' s liabilities. For a transfer of an interest in a publicly traded partnership that is effected through a broker ~~on or after January 1, 2023~~ , the obligation to withhold is imposed on the transferor' s broker. Current and future prospective non- U. S. common unitholders should consult their tax advisors regarding the impact of these rules on an investment in our common units. We treat each purchaser of common units as having the same tax benefits without regard to the common units actually purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units. Because we cannot match transferors and transferees of our common units and because of other reasons, we have adopted depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns. We generally prorate our items of income, gain, loss, and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss, and deduction among our common unitholders. We generally prorate our items of income, gain, loss, and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month (the " Allocation Date "), instead of on the basis of the date a particular common unit is transferred. Similarly, we generally allocate (i) certain deductions for depreciation of capital additions, (ii) gain or loss realized on a sale or other disposition of our assets, and (iii) in the discretion of the general partner, any other extraordinary item of income, gain, loss, or deduction based upon ownership on the Allocation Date. Treasury Regulations allow a similar monthly simplifying convention, but such regulations do not specifically authorize all aspects of our proration method. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss, and deduction among our common unitholders. A common unitholder whose common units are the subject of a securities loan (e. g., a loan to a " short seller " to cover a short sale of common units) may be considered to have disposed of those common units. If so, such common unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and could recognize gain or loss from the disposition. Because there are no specific rules governing the U. S. federal income tax consequences of loaning a partnership interest, a common unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned common units. In that case, the common unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the common unitholder may recognize gain or loss from this disposition. Moreover, during the period of the loan, any of our income, gain, loss, or deduction with respect to those common units may not be reportable by the common unitholder and any cash distributions received by the common unitholder as to those common units could be fully taxable as ordinary income. Common unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units. You, as a common unitholder, may be subject to state and local taxes and return filing requirements in jurisdictions where you do not live as a result of investing in our common units. In addition to U. S. federal income taxes, you likely will be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance, or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if you do not live in any of those jurisdictions. We own assets and conduct business in several states, many of which impose a personal income tax and also impose income taxes on corporations and other entities. You may be required to file state and local income tax returns and pay state and local income taxes in these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. As we make acquisitions or expand our business, we may own assets or conduct business in additional states or foreign jurisdictions that impose a personal income tax. It is your responsibility to file all U. S. federal, foreign, state, and local tax returns and pay any taxes due in these jurisdictions. You should consult with your own tax advisors regarding the filing of such tax returns, the payment of such taxes and the deductibility of any taxes paid. Although we believe our common unitholders are entitled to a 20 % deduction related to qualified business income, application of the deduction to royalty income is not free from doubt. For taxable years beginning after December 31, 2017 and ending on or before December 31, 2025, an individual common unitholder is entitled to a deduction equal to 20 % of his or her allocable share of our" qualified business income". Although we expect most of our income to qualify for this deduction, application of these rules to income from mineral interests, such as royalty income, is not entirely clear. The IRS may challenge our treatment of royalty income as qualifying for the deduction. Although our counsel has advised us that under current law our royalty income should qualify for the deduction, no assurances can be given that the IRS will not challenge our treatment of royalty income as qualifying for the deduction. General Risk Factors We have and will continue to incur increased costs as a result of being a publicly traded partnership. As a publicly traded partnership, we have and will continue to incur significant legal, accounting, and other expenses that we did not incur prior to the IPO. In addition, the Sarbanes- Oxley Act, as well as rules implemented by the SEC and the NYSE, require publicly traded entities to maintain various corporate governance practices that further increase our costs. Before we are able to make distributions to our unitholders, we must first pay or reserve for our expenses, including the costs of being a publicly traded partnership. As a result, the amount of cash we have available to distribute to our unitholders will be affected by the costs associated with being a publicly traded partnership. Following the IPO, we became subject to the public reporting requirements of the Securities Exchange Act of 1934 (the " Exchange Act "). These requirements have increased our legal and financial compliance costs. The price of our common units may fluctuate significantly, and unitholders could lose all or part of their investment. The market price of our common units may be influenced by many factors, some of which are beyond our control, including those described elsewhere in these risk factors. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in our financial reporting, which would harm our business and the trading price of our units. Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud, and operate successfully as a publicly traded partnership. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We cannot be certain that our efforts to develop and maintain our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future, or that we will be able to comply with our obligations under Section 404 of the Sarbanes- Oxley Act. For example, Section 404 requires us, among other things, to annually review and report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal controls over financial reporting. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common units. Various security risks, including cybersecurity threats, data breaches, and other disruptions, could significantly affect us. Various security risks, including cyber attacks on businesses, have escalated in recent years. As one of the largest owners and managers of oil and natural gas mineral interests in the United States, we rely on electronic systems and networks to control and manage our business and have multiple layers of security to monitor, mitigate and manage these risks. However, these systems and networks, as well as our operators' systems and networks and third- party infrastructure and operations, such as pipelines and transportation facilities, may be subject to sophisticated and deliberate security attacks and security breaches, which could lead to the corruption or loss of sensitive and valuable data or other disruptions. If we or our operators were to experience an attack or a breach and security measures failed, the potential consequences to our businesses and the communities in which we operate could be significant, including the corruption or loss of sensitive and valuable data, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, damage to our reputation, and other disruptions of our operations, any of which could adversely affect our business. In addition, as cyber attacks become increasingly sophisticated, and the regulatory framework for data privacy and security worldwide continues to evolve and develop, we may incur significant costs to modify, upgrade or enhance our security measures and we may face difficulties in fully anticipating or implementing adequate security measures or new or revised mandated processes and in generally mitigating potential harm. Further, any actual or perceived failure to comply with any new or existing laws, regulations and other obligations could result in fines, penalties or other liability.